

CITY OF RHINELANDER

Rhineland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015

CITY OF RHINELANDER

TABLE OF CONTENTS As of and for the Year Ended December 31, 2015

	<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 Funds	16
Index to Notes to Financial Statements	17
Notes to Financial Statements	18 - 67
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	68
Schedule of Employer's Proportionate Share of the Net Pension Asset - 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 - 81
Combining Statement of Net Position - Nonmajor Enterprise Funds	82
Combining Statement of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds	83
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	84
Combining Statement of Assets and Liabilities - Agency Funds	85

CITY OF RHINELANDER

TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2015

	<u>Page(s)</u>
Supplementary Information (cont.)	
Statement of Revenues, Expenses and Changes in Net Position - Component Units	86
Statement of Cash Flows - Component Units	87
Required Bond Disclosures	88
Detailed Schedule of Operating Revenues and Expenses - Wastewater Utility	89

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Rhinelander
Rhinelander, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin (city), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the city as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the City Council
City of Rhinelander

Summary of Opinions

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Rhinelander, Wisconsin, as of December 31, 2015, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin, as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Note I, the City of Rhinelander adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

To the City Council
City of Rhinelander

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016 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 Vichow Krause, LLP

July 29, 2016

CITY OF RHINELANDER

STATEMENT OF NET POSITION
As of December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhinelanders- Oneida County Airport	Rhinelanders District Library
ASSETS					
Cash and investments	\$ 3,014,381	\$ 2,840,713	\$ 5,855,094	\$ 76,937	\$ 69,815
Receivables (net)					
Taxes	6,748,144	-	6,748,144	197,081	264,330
Delinquent personal property	8,648	-	8,648	-	-
Accounts	155,416	1,394,139	1,549,555	24,500	-
Special assessments	116,889	-	116,889	-	-
Loans	2,387,287	-	2,387,287	-	-
Other	91,181	-	91,181	-	-
Internal balances	2,170,590	(2,170,590)	-	-	-
Due from other governments	349,082	32,464	381,546	551,053	469,746
Due from component unit	175,251	-	175,251	-	-
Inventories and prepaid items	248,016	89,254	337,270	6,731	-
Restricted assets					
Cash and investments	-	1,444,137	1,444,137	-	-
Net pension asset	1,038,914	170,404	1,209,318	65,283	81,822
Capital Assets					
Construction in progress	368,866	643,275	1,012,141	367,918	-
Land	3,690,819	1,657,329	5,348,148	187,500	8,183
Other capital assets, net of depreciation	<u>20,399,382</u>	<u>46,483,340</u>	<u>66,882,722</u>	<u>8,357,834</u>	<u>216,247</u>
Total Assets	<u>40,962,866</u>	<u>52,584,465</u>	<u>93,547,331</u>	<u>9,834,837</u>	<u>1,110,143</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>1,081,711</u>	<u>174,890</u>	<u>1,256,601</u>	<u>69,220</u>	<u>83,584</u>
LIABILITIES					
Accounts payable	214,549	216,660	431,209	57,746	13,121
Accrued liabilities and deposits	332,757	92,254	425,011	4,122	4,595
Due to other governments	17,628	-	17,628	-	-
Due to primary government	-	-	-	75,607	99,644
Noncurrent Liabilities					
Due within one year	1,500,988	1,021,668	2,522,656	-	-
Due in more than one year	<u>15,974,449</u>	<u>17,441,514</u>	<u>33,415,963</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>18,040,371</u>	<u>18,772,096</u>	<u>36,812,467</u>	<u>137,475</u>	<u>117,360</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	<u>6,407,758</u>	<u>3,904</u>	<u>6,411,662</u>	<u>197,081</u>	<u>734,076</u>

See accompanying notes to financial statements.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhineland- Oneida County Airport	Rhineland- District Library
NET POSITION					
Net investment in capital assets	\$ 16,831,774	\$ 30,528,049	\$ 44,709,350	\$ 8,913,252	\$ 224,430
Restricted for					
Cemetery perpetual care	14,185	-	14,185	-	-
Tourism	11,861	-	11,861	-	-
Loan programs	2,258,505	-	2,258,505	-	-
Debt service	406,083	597,895	1,003,978	-	-
Parking advisory board operations	96,310	-	96,310	-	-
Hazardous materials response	27,176	-	27,176	-	-
Historical complex facilities and programs	24,590	-	24,590	-	-
Future dog park	1,988	-	1,988	-	-
K-9 program	9,272	-	9,272	-	-
DARE program	4,636	-	4,636	-	-
TIF projects	2,658,510	-	2,658,510	-	-
Landfill clean-up	204,091	-	204,091	-	-
Equipment replacement	-	768,024	768,024	-	-
Library	-	-	-	-	36,039
Pension	1,038,914	170,404	1,209,318	65,283	81,822
Unrestricted (deficit)	<u>(5,991,447)</u>	<u>1,918,983</u>	<u>(1,421,991)</u>	<u>590,966</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 17,596,448</u>	<u>\$ 33,983,355</u>	<u>\$ 51,579,803</u>	<u>\$ 9,569,501</u>	<u>\$ 342,291</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,162,325	\$ 316,664	\$ 243	\$ -
Public safety	4,729,363	699,548	54,339	40,395
Public works	3,259,031	75,785	923,275	88,980
Health and human services	83,929	28,725	-	-
Culture, education and recreation	491,044	15,583	12,369	106,179
Conservation and development	168,784	6,009	-	-
Interest and fiscal charges	465,381	-	-	-
Total Governmental Activities	<u>10,359,857</u>	<u>1,142,314</u>	<u>990,226</u>	<u>235,554</u>
Business-type Activities				
Water Utility	1,560,759	1,797,098	-	-
Wastewater Utility	3,042,121	2,914,538	-	142,158
Stormwater Utility	352,429	428,699	-	-
Golf Course	769,500	624,211	414	-
Total Business-type Activities	<u>5,724,809</u>	<u>5,764,546</u>	<u>414</u>	<u>142,158</u>
Total Primary Government	<u>\$ 16,084,666</u>	<u>\$ 6,906,860</u>	<u>\$ 990,640</u>	<u>\$ 377,712</u>
Component Units				
Rhinelanders-Oneida County Airport	\$ 1,607,391	\$ 1,022,026	\$ -	\$ 267,431
Rhinelanders District Library	959,691	-	10,000	-
Total Component Units	<u>\$ 2,567,082</u>	<u>\$ 1,022,026</u>	<u>\$ 10,000</u>	<u>\$ 267,431</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for TIF districts				
Property taxes, levied for the airport				
Property taxes, levied for the library				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Miscellaneous				
Transfers - internal				
Total General Revenues and Transfers				
Change in net position				
NET POSITION - Beginning of Year (as restated)				
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
\$ (845,418)	\$ -	\$ (845,418)	\$ -	\$ -
(3,935,081)	-	(3,935,081)	-	-
(2,170,991)	-	(2,170,991)	-	-
(55,204)	-	(55,204)	-	-
(356,913)	-	(356,913)	-	-
(162,775)	-	(162,775)	-	-
<u>(465,381)</u>	<u>-</u>	<u>(465,381)</u>	<u>-</u>	<u>-</u>
<u>(7,991,763)</u>	<u>-</u>	<u>(7,991,763)</u>	<u>-</u>	<u>-</u>
-	236,339	236,339	-	-
-	14,575	14,575	-	-
-	76,270	76,270	-	-
-	<u>(144,875)</u>	<u>(144,875)</u>	<u>-</u>	<u>-</u>
-	<u>182,309</u>	<u>182,309</u>	<u>-</u>	<u>-</u>
<u>(7,991,763)</u>	<u>182,309</u>	<u>(7,809,454)</u>	<u>-</u>	<u>-</u>
-	-	-	(317,934)	-
-	-	-	-	<u>(949,691)</u>
-	-	-	<u>(317,934)</u>	<u>(949,691)</u>
4,601,029	-	4,601,029	-	-
911,310	-	911,310	-	-
887,191	-	887,191	-	-
-	-	-	201,000	-
-	-	-	-	259,725
334,799	-	334,799	-	-
1,312,881	-	1,312,881	-	621,012
104,057	41,396	145,453	345	-
<u>84,420</u>	<u>-</u>	<u>84,420</u>	<u>-</u>	<u>28,518</u>
<u>427,431</u>	<u>(427,431)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,663,118</u>	<u>(386,035)</u>	<u>8,277,083</u>	<u>201,345</u>	<u>909,255</u>
671,355	(203,726)	467,629	(116,589)	(40,436)
<u>16,925,093</u>	<u>34,187,081</u>	<u>51,112,174</u>	<u>9,686,090</u>	<u>382,727</u>
<u>\$ 17,596,448</u>	<u>\$ 33,983,355</u>	<u>\$ 51,579,803</u>	<u>\$ 9,569,501</u>	<u>\$ 342,291</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2015

	<u>General Fund</u>	<u>1985 Community Block Grant Special Revenue Fund</u>	<u>General Debt Service Fund</u>	<u>General Capital Projects</u>
ASSETS				
Cash and investments	\$ 972,311	\$ 174,900	\$ 83,631	\$ -
Receivables (net)				
Taxes	4,856,853	-	916,535	21,049
Delinquent personal property taxes	8,648	-	-	-
Accounts	34,738	-	-	-
Special assessments	-	-	-	116,889
Loans	10,765	1,859,012	-	-
Other	2,845	-	-	-
Due from other funds	586,246	-	-	-
Due from other governments	4,311	-	-	-
Due from component units	-	-	175,251	-
Inventories and prepaid items	230,452	-	-	-
Advances to other funds	<u>1,402,899</u>	<u>-</u>	<u>180,631</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,110,068</u>	<u>\$ 2,033,912</u>	<u>\$ 1,356,048</u>	<u>\$ 137,938</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 143,374	\$ -	\$ 3,225	\$ 13,130
Accrued liabilities	163,594	-	-	-
Due to other governments	-	-	-	-
Due to other funds	283,228	-	-	194,645
Advances from other funds	-	-	-	-
Total Liabilities	<u>590,196</u>	<u>-</u>	<u>3,225</u>	<u>207,775</u>
Deferred Inflows of Resources				
Unearned revenues	4,574,426	-	916,535	-
Unavailable revenues	<u>10,766</u>	<u>1,859,012</u>	<u>-</u>	<u>137,938</u>
Total Deferred Inflows of Resources	<u>4,585,192</u>	<u>1,859,012</u>	<u>916,535</u>	<u>137,938</u>
Fund Balances				
Nonspendable	1,633,351	-	-	-
Restricted	-	174,900	436,288	105,312
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	<u>1,301,329</u>	<u>-</u>	<u>-</u>	<u>(313,087)</u>
Total Fund Balances	<u>2,934,680</u>	<u>174,900</u>	<u>436,288</u>	<u>(207,775)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,110,068</u>	<u>\$ 2,033,912</u>	<u>\$ 1,356,048</u>	<u>\$ 137,938</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,668,940	\$ 2,899,782
953,707	6,748,144
-	8,648
120,678	155,416
-	116,889
517,510	2,387,287
88,336	91,181
-	586,246
344,771	349,082
-	175,251
17,564	248,016
<u>1,215,000</u>	<u>2,798,530</u>
<u>\$ 4,926,506</u>	<u>\$ 16,564,472</u>

\$ 54,820	\$ 214,549
2,943	166,537
17,628	17,628
391,601	869,474
<u>344,712</u>	<u>344,712</u>
<u>811,704</u>	<u>1,612,900</u>

916,797	6,407,758
<u>930,931</u>	<u>2,938,647</u>
<u>1,847,728</u>	<u>9,346,405</u>

31,749	1,665,100
2,831,268	3,547,768
48,829	48,829
7,974	7,974
<u>(652,746)</u>	<u>335,496</u>
<u>2,267,074</u>	<u>5,605,167</u>

<u>\$ 4,926,506</u>	<u>\$ 16,564,472</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, 2015

Total Fund Balances - Governmental Funds	\$	5,605,167
--	----	-----------

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.		24,459,067
---	--	------------

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.		2,938,647
--	--	-----------

The net pension asset does not relate to current financial resources and is not reported in the governmental funds.		1,038,914
---	--	-----------

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		1,081,711
---	--	-----------

Internal service funds are reported in the statement of net position as governmental activities.		111,871
--	--	---------

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		(16,067,855)
Compensated absences		(900,059)
Accrued interest		(163,492)
Unamortized debt premium		(187,523)
Landfill liability		(320,000)
		<u>(320,000)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>17,596,448</u>
--	-----------	--------------------------

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	<u>General Debt Service Fund</u>	<u>General Capital Projects</u>
REVENUES				
Taxes	\$ 4,743,661	\$ -	\$ 911,310	\$ -
Special assessments	17,941	-	-	19,669
Intergovernmental	1,873,783	-	-	-
Licenses and permits	174,631	-	-	-
Fines, forfeitures and penalties	38,968	-	-	-
Charges for services	317,976	-	-	-
Investment income	22,499	192	18,409	4,768
Miscellaneous	74,888	45,221	-	600
Total Revenues	<u>7,264,347</u>	<u>45,413</u>	<u>929,719</u>	<u>25,037</u>
EXPENDITURES				
Current				
General government	1,124,647	-	-	5,802
Public safety	3,927,117	-	5,282	15,416
Public works	1,688,277	-	28,346	17,141
Health and human services	69,407	-	-	-
Culture, recreation and education	226,538	-	-	-
Conservation and development	38,007	15,357	-	-
Capital Outlay	8,801	-	113,067	805,142
Debt Service				
Principal	-	-	737,141	-
Interest and fiscal charges	-	-	196,394	-
Total Expenditures	<u>7,082,794</u>	<u>15,357</u>	<u>1,080,230</u>	<u>843,501</u>
Excess of revenues over expenditures	<u>181,553</u>	<u>30,056</u>	<u>(150,511)</u>	<u>(818,464)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	291,016	-	-	139,786
Transfers out	(115,485)	-	(12,400)	-
Property sales	288	-	-	1,400
Total Other Financing Sources (Uses)	<u>175,819</u>	<u>-</u>	<u>(12,400)</u>	<u>141,186</u>
Net Change in Fund Balances	357,372	30,056	(162,911)	(677,278)
FUND BALANCES - Beginning of Year	<u>2,577,308</u>	<u>144,844</u>	<u>599,199</u>	<u>469,503</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,934,680</u>	<u>\$ 174,900</u>	<u>\$ 436,288</u>	<u>\$ (207,775)</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,079,358	\$ 6,734,329
-	37,610
445,910	2,319,693
4,302	178,933
125	39,093
544,481	862,457
58,141	104,009
<u>225,137</u>	<u>345,846</u>
<u>2,357,454</u>	<u>10,621,970</u>
-	1,130,449
528,628	4,476,443
579,948	2,313,712
-	69,407
208,864	435,402
51,110	104,474
99,992	1,027,002
650,986	1,388,127
<u>319,158</u>	<u>515,552</u>
<u>2,438,686</u>	<u>11,460,568</u>
<u>(81,232)</u>	<u>(838,598)</u>
181,828	612,630
(57,314)	(185,199)
-	1,688
<u>124,514</u>	<u>429,119</u>
43,282	(409,479)
<u>2,223,792</u>	<u>6,014,646</u>
<u>\$ 2,267,074</u>	<u>\$ 5,605,167</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, 2015

Net change in fund balances - total governmental funds	\$	(409,479)
--	----	-----------

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		1,027,002
Some items reported as capital outlay were not capitalized		(2,515)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		406,990
Depreciation is reported in the government-wide financial statements		(1,265,606)
Loss on disposal of capital assets is recorded in the government-wide statements		(422,857)

Contributed capital assets are reported as revenues in the government-wide financial statements.		78,800
--	--	--------

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.		(167,835)
---	--	-----------

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid		1,388,127

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		13,033

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		4,131
Accrued interest on debt		37,138
Net pension asset (and pension related deferred inflows of resources)		29,462
Landfill liability		(13,000)

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		(32,036)
---	--	----------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>671,355</u>
--	-----------	-----------------------

CITY OF RHINELANDER

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 724,801	\$ 2,115,912	\$ -	\$ 2,840,713	\$ 114,599
Receivables					
Accounts	422,931	850,098	121,110	1,394,139	-
Due from other funds	71,555	297,208	14,465	383,228	-
Due from other governments	-	32,464	-	32,464	-
Inventories and prepaid items	55,104	8,158	25,992	89,254	-
Restricted cash and investments	96,376	546,599	-	642,975	-
Total Current Assets	<u>1,370,767</u>	<u>3,850,439</u>	<u>161,567</u>	<u>5,382,773</u>	<u>114,599</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	-	801,162	-	801,162	-
Net pension asset	52,318	85,419	32,667	170,404	-
Capital Assets					
Construction in progress	155,323	411,541	76,411	643,275	-
Land	34,070	1,587,593	35,666	1,657,329	-
Capital assets being depreciated	17,804,062	40,840,564	7,660,151	66,304,777	-
Less: Accumulated depreciation	(5,015,873)	(9,870,137)	(4,935,427)	(19,821,437)	-
Advances to other funds	-	400,212	-	400,212	-
Total Noncurrent Assets	<u>13,029,900</u>	<u>34,256,354</u>	<u>2,869,468</u>	<u>50,155,722</u>	<u>-</u>
Total Assets	<u>14,400,667</u>	<u>38,106,793</u>	<u>3,031,035</u>	<u>55,538,495</u>	<u>114,599</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	53,737	86,549	34,604	174,890	-

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	46,808	152,596	17,256	216,660	-
Accrued wages	2,920	4,198	1,786	8,904	-
Accrued interest	-	-	4,032	4,032	-
Deposits	100	-	1,000	1,100	-
Due to other funds	-	-	100,000	100,000	-
Current portion of general obligation debt	30,000	-	90,000	120,000	-
Current portion of advances	20,000	40,000	-	60,000	-
Current portion of compensated absences	4,166	10,386	7,367	21,919	-
Claims payable	-	-	-	-	2,728
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	136,948	742,801	-	879,749	-
Accrued interest	5,077	73,141	-	78,218	-
Total Current Liabilities	246,019	1,023,122	221,441	1,490,582	2,728
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	-	-	460,000	460,000	-
Revenue bonds	2,328,843	14,467,303	-	16,796,146	-
Other Liabilities					
Compensated absences	59,025	69,181	57,162	185,368	-
Advances from other funds	450,881	851,449	1,491,700	2,794,030	-
Total Noncurrent Liabilities	2,838,749	15,387,933	2,008,862	20,235,544	-
Total Liabilities	3,084,768	16,411,055	2,230,303	21,726,126	2,728
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	-	-	3,904	3,904	-
NET POSITION					
Net investment in capital assets	10,481,791	17,759,457	2,286,801	30,528,049	-
Restricted for					
Debt service	91,299	506,596	-	597,895	-
Equipment replacement	-	768,024	-	768,024	-
Pension	52,318	85,419	32,667	170,404	-
Unrestricted (deficit)	744,228	2,662,791	(1,488,036)	1,918,983	111,871
TOTAL NET POSITION	\$ 11,369,636	\$ 21,782,287	\$ 831,432	\$ 33,983,355	\$ 111,871

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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES	<u>\$ 1,797,098</u>	<u>\$ 2,914,538</u>	<u>\$ 1,052,910</u>	<u>\$ 5,764,546</u>	<u>\$ 55,529</u>
OPERATING EXPENSES					
Operation and maintenance	1,114,445	1,187,144	844,717	3,146,306	-
Depreciation	390,508	1,298,606	261,102	1,950,216	-
Taxes	18,094	33,783	-	51,877	-
Self insurance claims	-	-	-	-	87,613
Total Operating Expenses	<u>1,523,047</u>	<u>2,519,533</u>	<u>1,105,819</u>	<u>5,148,399</u>	<u>87,613</u>
Operating Income (Loss)	<u>274,051</u>	<u>395,005</u>	<u>(52,909)</u>	<u>616,147</u>	<u>(32,084)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	12,445	28,951	-	41,396	48
Interest and fiscal charges	(45,991)	(435,992)	(15,378)	(497,361)	-
Contribution of infrastructure to City	-	(86,596)	-	(86,596)	-
Interest charged to construction	8,279	-	-	8,279	-
Miscellaneous revenues	-	-	414	414	-
Gain (loss) on disposal of capital assets	-	-	(732)	(732)	-
Total Nonoperating Revenues (Expenses)	<u>(25,267)</u>	<u>(493,637)</u>	<u>(15,696)</u>	<u>(534,600)</u>	<u>48</u>
Income (Loss) Before Contributions and Transfers	<u>248,784</u>	<u>(98,632)</u>	<u>(68,605)</u>	<u>81,547</u>	<u>(32,036)</u>
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	-	142,158	-	142,158	-
Transfers out	(291,016)	(136,415)	-	(427,431)	-
Total Contributions and Transfers	<u>(291,016)</u>	<u>5,743</u>	<u>-</u>	<u>(285,273)</u>	<u>-</u>
Change in Net Position	<u>(42,232)</u>	<u>(92,889)</u>	<u>(68,605)</u>	<u>(203,726)</u>	<u>(32,036)</u>
NET POSITION - Beginning of Year (as restated)	<u>11,411,868</u>	<u>21,875,176</u>	<u>900,037</u>	<u>34,187,081</u>	<u>143,907</u>
NET POSITION - END OF YEAR	<u>\$ 11,369,636</u>	<u>\$ 21,782,287</u>	<u>\$ 831,432</u>	<u>\$ 33,983,355</u>	<u>\$ 111,871</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2015

	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	\$ 1,665,327	\$ 2,874,949	\$ 1,039,378	\$ 5,579,654	\$ 55,529
Paid to suppliers for goods and services	(996,541)	(912,397)	(490,314)	(2,399,252)	(86,805)
Paid to employees for services	(211,842)	(348,140)	(335,112)	(895,094)	-
Net Cash Flows From Operating Activities	<u>456,944</u>	<u>1,614,412</u>	<u>213,952</u>	<u>2,285,308</u>	<u>(31,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	12,445	28,951	-	41,396	48
Net Cash Flows From Investing Activities	<u>12,445</u>	<u>28,951</u>	<u>-</u>	<u>41,396</u>	<u>48</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	(291,016)	-	-	(291,016)	-
Negative cash implicitly financed	-	-	(75,580)	(75,580)	-
Transfers to other funds	-	(136,415)	-	(136,415)	-
Donations received	-	-	414	414	-
Advances from (repaid to) other funds	(726)	260,526	(367)	259,433	-
Interest on advance	(3,408)	(4,213)	(1,723)	(9,344)	-
Net Cash Flows From Noncapital Financing Activities	<u>(295,150)</u>	<u>119,898</u>	<u>(77,256)</u>	<u>(252,508)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt issued	593,053	100,000	-	693,053	-
Debt retired	(154,358)	(724,526)	(80,000)	(958,884)	-
Interest and fiscal charges paid	(30,918)	(417,453)	(13,656)	(462,027)	-
Acquisition and construction of capital assets	(461,432)	(487,589)	(64,568)	(1,013,589)	-
Contribution received for construction	7,884	139,807	21,528	169,219	-
Advances repaid to other funds	(20,000)	(40,000)	-	(60,000)	-
Interest on advance	(10,833)	(21,667)	-	(32,500)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(76,604)</u>	<u>(1,451,428)</u>	<u>(136,696)</u>	<u>(1,664,728)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	97,635	311,833	-	409,468	(31,228)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>723,542</u>	<u>3,151,840</u>	<u>-</u>	<u>3,875,382</u>	<u>145,827</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 821,177</u>	<u>\$ 3,463,673</u>	<u>\$ -</u>	<u>\$ 4,284,850</u>	<u>\$ 114,599</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 274,051	\$ 395,005	\$ (52,909)	\$ 616,147	\$ (32,084)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	390,508	1,298,606	261,102	1,950,216	-
Depreciation charged to other funds	15,097	(15,097)	-	-	-
Changes in Assets and Liabilities					
Customer accounts receivable	(75,227)	(29,847)	(24,552)	(129,626)	-
Other accounts receivable	-	5,355	27,710	33,065	-
Due from other funds	(71,555)	-	(14,465)	(86,020)	-
Inventories and prepaid items	20,906	178	12,598	33,682	-
Accounts payable	(98,497)	(43,002)	6,459	(135,040)	-
Accrued wages	188	(155)	(51)	(18)	-
Deposits	(86)	-	-	(86)	-
Accrued compensated absences	2,308	3,402	1,801	7,511	-
Unearned revenues	-	-	(2,225)	(2,225)	-
Claims payable	-	-	-	-	808
Pension related deferrals and asset	(749)	(33)	(1,516)	(2,298)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 456,944</u>	<u>\$ 1,614,412</u>	<u>\$ 213,952</u>	<u>\$ 2,285,308</u>	<u>\$ (31,276)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments	\$ 724,801	\$ 2,115,912	\$ -	\$ 2,840,713	\$ 114,599
Restricted cash and investments	<u>96,376</u>	<u>1,347,761</u>	<u>-</u>	<u>1,444,137</u>	<u>-</u>
CASH AND CASH EQUIVALENTS	<u>\$ 821,177</u>	<u>\$ 3,463,673</u>	<u>\$ -</u>	<u>\$ 4,284,850</u>	<u>\$ 114,599</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital assets acquired via accounts payable	<u>\$ 28,552</u>	<u>\$ 113,760</u>	<u>\$ 1,350</u>		<u>\$ -</u>
Capital assets transferred to Governmental Activities	<u>\$ -</u>	<u>\$ 86,596</u>	<u>\$ -</u>		<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 3,154,158
Taxes receivable	<u>4,515,492</u>
TOTAL ASSETS	<u>\$ 7,669,650</u>
LIABILITIES	
Due to other governments	\$ 7,634,020
Due to employees	<u>35,630</u>
TOTAL LIABILITIES	<u>\$ 7,669,650</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, 2015

NOTE	Page
I Summary of Significant Accounting Policies	18
A. Reporting Entity	18
B. Government-Wide and Fund Financial Statements	19
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	22
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	24
1. Deposits and Investments	24
2. Receivables	25
3. Inventories and Prepaid Items	27
4. Restricted Assets	27
5. Capital Assets	27
6. Deferred Outflows of Resources	28
7. Compensated Absences	28
8. Long-Term Obligations	29
9. Deferred Inflows of Resources	29
10. Equity Classifications	29
11. Basis for Existing Rates	31
II Stewardship, Compliance, and Accountability	32
A. Budgetary Information	32
B. Deficit Balances	32
C. Limitations on the City's Tax Levy	32
III Detailed Notes on All Funds	33
A. Deposits and Investments	33
B. Receivables	35
C. Restricted Assets	36
D. Capital Assets	37
E. Interfund Receivables/Payables, Advances and Transfers	42
F. Long-Term Obligations	46
G. Closure and Postclosure Care Cost	51
H. Net Position/Fund Balances	52
I. Restatement of Net Position	54
J. Component Units	55
IV Other Information	58
A. Employees' Retirement System	58
B. Risk Management	64
C. Commitments and Contingencies	65
D. Subsequent Events	65
E. Related Organizations	66
F. Effect of New Accounting Standards on Current-Period Financial Statements	67

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Rhinelanders-Oneida County Airport

The government-wide financial statements include the Rhinelanders-Oneida County Airport (airport) as a component unit. The airport is a legally separate organization. The commission of the airport is made up of three members; appointments to the commission are alternated between the City of Rhinelanders and Oneida County. The city is the fiscal agent for the airport's operations. See Note III.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, 2015. The airport does not issue separate financial statements.

Rhinelanders District Library

The government-wide financial statements include the Rhinelanders District Library (library) as a component unit. The library is a legally separate organization. The board of the library is made up of three trustees representing the City of Rhinelanders, one trustee representing each member town and one trustee representing the K-12 school district. Under the agreement creating the library, the city is responsible for the largest share of the financial contribution to the library and is also the fiscal agent for the library's operations. See Note III.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, 2015 and excludes the library foundation and library board accounts. The library does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

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

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

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

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

The city reports the following major governmental funds:

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

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

Fund Financial Statements (cont.)

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

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

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

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

The city reports the following major enterprise funds:

Water Utility - accounts for operations of the water system

Wastewater Utility - accounts for operations of the wastewater system

The city reports the following nonmajor governmental and enterprise funds:

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

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

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

Environmental TIF #1

TIF #5

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

Fund Financial Statements (cont.)

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

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

TIF #6
TIF #8

TIF #9
TIF #10

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

Stormwater Utility

Golf Course

In addition, the city reports the following fund types:

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

Agency Funds - 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

Employee Benefits

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

Government-Wide Financial Statements

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

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

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

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

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

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

Fund Financial Statements (cont.)

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

All Financial Statements

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

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

1. Deposits and Investments

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

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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.)

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 quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. Receivables

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

2. Receivables (cont.)

Property tax calendar - 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	July 31, 2016
Personal property taxes in full	January 31, 2016
Tax sale - 2015 delinquent real estate taxes	October 2018

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

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

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

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

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 fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. \$8,279 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

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

Fund Financial Statements

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

6. Deferred Outflows of Resources

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

7. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2015, are determined on the basis of current salary rates and include salary related payments.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

8. Long-Term Obligations

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

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."

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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.)

Government-Wide Statements (cont.)

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	\$ 16,831,774	\$ 30,528,049	\$ (2,650,473)	\$ 44,709,350
Unrestricted	(5,991,447)	1,918,983	2,650,473	(1,421,991)

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.
- 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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.)

- 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 2015 compared to actual general fund expenditures was 18.4%.

See Note III. H. for further information.

11. 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, 2015

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the General Fund. A budget has not been formally adopted for other funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. DEFICIT BALANCES

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

As of December 31, 2015, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General Capital Projects	\$ 207,775	Expenditures in excess of revenues
Share Ride Transport Grant	128,033	Expenditures in excess of revenues
Boat Launch	181,134	Unavailable revenues
Ambulance	41,973	Unavailable revenues
Property Acquisitions & Improvements	73,845	Expenditures in excess of revenues
Environmental TIF #1	176,608	Expenditures in excess of revenues
TIF #6	36,901	Unavailable revenues
Golf Course	1,123,934	Expenses 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.

C. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the city's funds.

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 9,219,840	\$ 9,004,650	Custodial credit
US agencies - explicitly guaranteed	197,880	197,880	Custodial credit, interest rate
US agencies - implicitly guaranteed	786,544	786,544	Custodial credit, credit, concentration of credit, interest rate
Negotiable CD's	248,000	248,000	Custodial credit, credit, concentration of credit, interest rate
Petty cash	1,125	-	N/A
Total Deposits and Investments	\$ 10,453,389	\$ 10,237,074	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 5,855,094		
Restricted cash and investments	1,444,137		
Per statement of assets and liabilities - agency funds			
Agency Funds	3,154,158		
Total Deposits and Investments	\$ 10,453,389		

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

A. DEPOSITS AND INVESTMENTS (cont.)

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. \$984,424 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, 2015, the banks had pledged various government securities in the amount of \$9,036,096 to secure the city's deposits.

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.

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, 2015, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
US agencies - implicitly guaranteed	AA+	AAA
US agencies - implicitly guaranteed	AA+	N/A

At December 31, 2015, the city also had investments in negotiable CD's, which are not rated.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2015, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Banks	US agencies - implicitly guaranteed	32.14%
Federal Farm Credit Bank	US agencies - implicitly guaranteed	31.68%
Goldman Sachs Bank	Negotiable CD	20.12%

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, 2015, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-3	More than 3
US agencies - explicitly guaranteed	\$ 197,880	\$ -	\$ -	\$ 197,880
US agencies - implicitly guaranteed	786,544	-	-	786,544
Negotiable CDs	248,000	248,000	-	-
Totals	<u>\$ 1,232,424</u>	<u>\$ 248,000</u>	<u>\$ -</u>	<u>\$ 984,424</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 \$2.3 million of loans receivable and \$98,382 of special assessments receivable.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 6,407,758	\$ 21,049
Special assessments not yet due	-	116,889
Accounts receivable	-	40,608
Loans receivable	-	2,387,288
Other receivables	-	73,336
Due from other governments	-	299,477
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 6,407,758</u>	 <u>\$ 2,938,647</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Equipment Replacement Account

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

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2015:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 642,975	\$ 78,218	\$ 564,757
Bond reserve account	33,138	-	33,138
Equipment replacement account	768,024	-	768,024
Net pension asset	1,209,318	-	1,209,318
Total	\$ 2,653,455	\$ 78,218	\$ 2,575,237

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Governmental Activities					
Capital assets not being depreciated/amortized					
Construction in progress	\$ 404,329	\$ -	\$ 99,992	\$ 135,455	\$ 368,866
Land	3,526,019	31,100	133,700	-	3,690,819
Total Capital Assets Not Being Depreciated/Amortized	3,930,348	31,100	233,692	135,455	4,059,685
Capital assets being depreciated/amortized					
Land improvements	377,747	-	105,583	13,714	469,616
Buildings and improvements	8,262,756	(86,000)	129,551	4,000	8,302,307
Machinery and equipment	8,064,326	54,900	577,776	479,805	8,217,197
Intangibles	55,820	-	7,600	-	63,420
Infrastructure	27,180,204	-	591,530	435,722	27,336,012
Total Capital Assets Being Depreciated/Amortized	43,940,853	(31,100)	1,412,040	933,241	44,388,552
Total Capital Assets	47,871,201	-	1,645,732	1,068,696	48,448,237

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Governmental Activities (cont.)					
Less: Accumulated depreciation/amortization for					
Land improvements	\$ (307,912)	\$ -	\$ (3,439)	\$ 13,714	\$ (297,637)
Buildings and improvements	(5,996,335)	52,626	(101,252)	4,000	(6,040,961)
Machinery and equipment	(4,988,299)	(52,626)	(573,575)	441,830	(5,172,670)
Intangibles	(22,002)	-	(11,622)	-	(33,624)
Infrastructure	(11,919,400)	-	(575,718)	50,840	(12,444,278)
Total Accumulated Depreciation/Amortization	(23,233,948)	-	(1,265,606)	510,384	(23,989,170)
Net Capital Assets Being Depreciated/ Amortized	20,706,905	(31,100)	146,434	422,857	20,399,382
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	\$ 24,637,253	\$ -	\$ 380,126	\$ 558,312	\$ 24,459,067

* Adjustments are to reclassify certain assets between categories to better correlate with the definition of each category.

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 26,262
Public safety	341,811
Public works	832,341
Health and human services	14,895
Culture, education and recreation	50,297
Total Governmental Activities Depreciation Expense	\$ 1,265,606

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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	\$ 746,934	\$ 280,975	\$ 872,586	\$ 155,323
Land	34,070	-	-	34,070
Total Capital Assets Not Being Depreciated	781,004	280,975	872,586	189,393
Capital assets being depreciated				
Property and equipment	16,775,401	1,042,561	13,900	17,804,062
Total Capital Assets Being Depreciated	16,775,401	1,042,561	13,900	17,804,062
Total Capital Assets	17,556,405	1,323,536	886,486	17,993,455
Less: Accumulated depreciation for				
Property and equipment	(4,624,168)	(405,605)	13,900	(5,015,873)
Total Accumulated Depreciation	(4,624,168)	(405,605)	13,900	(5,015,873)
Net Capital Assets Being Depreciated	12,151,233	636,956	-	12,788,189
Net Water Capital Assets	\$ 12,932,237	\$ 917,931	\$ 872,586	\$ 12,977,582

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital assets not being depreciated				
Construction in progress	\$ 37,859	\$ 393,426	\$ 19,744	\$ 411,541
Land	1,587,593	-	-	1,587,593
Total Capital Assets Not Being Depreciated	1,625,452	393,426	19,744	1,999,134
Capital assets being depreciated				
Property and equipment	40,724,188	118,993	2,617	40,840,564
Total Capital Assets Being Depreciated	40,724,188	118,993	2,617	40,840,564
Total Capital Assets	42,349,640	512,419	22,361	42,839,698
Less: Accumulated depreciation for				
Property and equipment	(8,586,628)	(1,283,509)	-	(9,870,137)
Total Accumulated Depreciation	(8,586,628)	(1,283,509)	-	(9,870,137)
Net Capital Assets Being Depreciated	32,137,560	(1,164,516)	2,617	30,970,427
Net Wastewater Capital Assets	\$ 33,763,012	\$ (771,090)	\$ 22,361	\$ 32,969,561

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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>
Stormwater				
Capital assets not being depreciated				
Construction in progress	\$ 15,246	\$ 61,509	\$ 344	\$ 76,411
Land	<u>35,666</u>	<u>-</u>	<u>-</u>	<u>35,666</u>
Total Capital Assets Not Being Depreciated	<u>50,912</u>	<u>61,509</u>	<u>344</u>	<u>112,077</u>
Capital assets being depreciated				
Property and equipment	<u>4,118,915</u>	<u>4,753</u>	<u>-</u>	<u>4,123,668</u>
Total Capital Assets Being Depreciated	<u>4,118,915</u>	<u>4,753</u>	<u>-</u>	<u>4,123,668</u>
Total Capital Assets	<u>4,169,827</u>	<u>66,262</u>	<u>344</u>	<u>4,235,745</u>
Less: Accumulated depreciation for				
Property and equipment	<u>(1,732,436)</u>	<u>(136,926)</u>	<u>-</u>	<u>(1,869,362)</u>
Total Accumulated Depreciation	<u>(1,732,436)</u>	<u>(136,926)</u>	<u>-</u>	<u>(1,869,362)</u>
Net Capital Assets Being Depreciated	<u>2,386,479</u>	<u>(132,173)</u>	<u>-</u>	<u>2,254,306</u>
Net Stormwater Capital Assets	<u>\$ 2,437,391</u>	<u>\$ (70,664)</u>	<u>\$ 344</u>	<u>\$ 2,366,383</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Golf Course				
Capital assets being depreciated				
Property and equipment	\$ <u>3,541,361</u>	\$ <u>-</u>	\$ <u>4,878</u>	\$ <u>3,536,483</u>
Total Capital Assets Being Depreciated	<u>3,541,361</u>	<u>-</u>	<u>4,878</u>	<u>3,536,483</u>
Less: Accumulated depreciation for				
Property and equipment	<u>(2,946,036)</u>	<u>(124,176)</u>	<u>4,147</u>	<u>(3,066,065)</u>
Total Accumulated Depreciation	<u>(2,946,036)</u>	<u>(124,176)</u>	<u>4,147</u>	<u>(3,066,065)</u>
Net Capital Assets Being Depreciated	<u>595,325</u>	<u>(124,176)</u>	<u>731</u>	<u>470,418</u>
Net Golf Course Capital Assets	<u>\$ 595,325</u>	<u>\$ (124,176)</u>	<u>\$ 731</u>	<u>\$ 470,418</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,727,965</u>	<u>\$ (47,999)</u>	<u>\$ 896,022</u>	<u>\$ 48,783,944</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 390,508
Wastewater	1,298,606
Stormwater	136,926
Golf course	<u>124,176</u>

Total Business-type Activities Depreciation Expense	<u><u>\$ 1,950,216</u></u>
---	----------------------------

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General Fund	Shared Ride Transport Grant	\$ 99,841
General Fund	Boat Launch	181,015
General Fund	Property Acquisitions & Improvements	73,845
General Fund	Capital Projects	194,645
General Fund	TIF #6	36,900
Wastewater Utility	Stormwater Utility	100,000
Stormwater Utility	General Fund	14,465
Wastewater Utility	General Fund	197,208
Water Utility	General Fund	<u>71,555</u>
Total - Fund Financial Statements		969,474
Less: Fund eliminations		(686,246)
Less: Interfund advances		<u>(2,453,818)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ (2,170,590)</u></u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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

Interfund Receivables/Payables (cont.)

Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ (2,453,818)
Business-type Activities	Governmental Activities	<u>283,228</u>
Total Government-Wide Financial Statements		<u>\$ (2,170,590)</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.

Advances

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

The wastewater utility is advancing funds to the stormwater utility. The amount advanced is determined by the cash deficit in the funds since its inception. No interest is being charged and no repayment schedule has been established.

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

The general debt service fund advance to the water utility, wastewater utility and golf course reflects the amount each fund is contributing toward the debt service requirements on the 2014 state trust fund loan, 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

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

Advances (cont.)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Golf Course	\$ 1,058,187	\$ 1,058,187
General Fund	Environmental TIF #1	176,608	176,608
General Fund	Ambulance	128,104	128,104
General Fund	Shared Ride Transport Grant	40,000	40,000
TIF #9	Wastewater Utility	810,000	770,000
TIF #9	Water Utility	405,000	385,000
General Debt Service	Water Utility	65,881	65,881
General Debt Service	Wastewater Utility	81,449	81,449
General Debt Service	Golf Course	33,301	33,301
Wastewater Utility	Stormwater Utility	400,212	400,212
Total - Fund Financial Statements		3,198,742	
Less: Fund eliminations		(744,924)	
Total - Interfund Advances - Government-Wide Statement of Net Position		\$ 2,453,818	

The principal purpose of this advance is described above.

Years	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2016	\$ 20,000	\$ 10,433	\$ 40,000	\$ 20,867
2017	20,000	10,033	40,000	20,067
2018	21,667	9,633	43,333	19,267
2019	21,667	9,200	43,333	18,400
2020	21,667	8,767	43,333	17,533
2021-2025	113,333	36,883	226,667	73,767
2026-2030	130,000	20,350	260,000	40,700
2031-2032	56,666	2,550	113,334	5,100
Totals	\$ 405,000	\$ 107,849	\$ 810,000	\$ 215,701

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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	\$ 291,016	Payment in lieu of taxes
Recycling	General Fund	100,000	Grant match
Parking Advisory Board	TIF #5	15,000	Per maintenance agreement
Historical Complex	Room Tax	26,000	Yearly contribution per agreement
Parking Advisory Board	Property Acquisitions & Improvements	16,314	Transfer prior year Lindey Cleaners activity to new fund
General Capital Projects	Wastewater Utility	127,386	Contribution to Lincoln Street construction
General Capital Projects	General Debt Service	12,400	Funding of Riverwalk Trail capital account
CDBG/EAP	Wastewater Utility	9,029	Close out fund
Parking	General Fund	<u>15,485</u>	Close out fund
Total - Fund Financial Statements		612,630	
Less: Fund eliminations		<u>(185,199)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 427,431</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, 2015

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 17,455,982	\$ -	\$ 1,388,127	\$ 16,067,855	\$ 1,442,425
(Discounts)/Premiums	<u>200,556</u>	<u>-</u>	<u>13,033</u>	<u>187,523</u>	<u>-</u>
Sub-totals	<u>17,656,538</u>	<u>-</u>	<u>1,401,160</u>	<u>16,255,378</u>	<u>1,442,425</u>
Other Liabilities					
Vested compensated absences	904,190	-	4,131	900,059	40,785
Landfill liability	<u>307,000</u>	<u>13,000</u>	<u>-</u>	<u>320,000</u>	<u>17,778</u>
Total Other Liabilities	<u>1,211,190</u>	<u>13,000</u>	<u>4,131</u>	<u>1,220,059</u>	<u>58,563</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 18,867,728</u>	<u>\$ 13,000</u>	<u>\$ 1,405,291</u>	<u>\$ 17,475,437</u>	<u>\$ 1,500,988</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 685,000	\$ -	\$ 105,000	\$ 580,000	\$ 120,000
Revenue bonds	<u>17,836,726</u>	<u>693,053</u>	<u>853,884</u>	<u>17,675,895</u>	<u>879,749</u>
Sub-totals	<u>18,521,726</u>	<u>693,053</u>	<u>958,884</u>	<u>18,255,895</u>	<u>999,749</u>
Other Liabilities					
Vested compensated absences	<u>199,776</u>	<u>7,511</u>	<u>-</u>	<u>207,287</u>	<u>21,919</u>
Total Other Liabilities	<u>199,776</u>	<u>7,511</u>	<u>-</u>	<u>207,287</u>	<u>21,919</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 18,721,502</u>	<u>\$ 700,564</u>	<u>\$ 958,884</u>	<u>\$ 18,463,182</u>	<u>\$ 1,021,668</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, 2015, was \$29,449,535. Total general obligation debt outstanding at year end was \$16,647,855.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2015
2006 State Trust Fund Loan	7/25/2006	3/15/2016	4.25%	\$ 59,549	\$ 7,025
2007 G.O. Notes	9/10/2007	11/1/2016	4.0-4.25%	1,575,000	325,000
2010 Taxable G.O. Refunding Bonds	5/26/2010	3/1/2025	2.0-5.2%	1,285,000	1,030,000
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	1,945,000	865,000
2012 G.O. Notes	1/26/2012	12/1/2021	2.00%	1,785,000	1,135,000
2013 G.O. Bonds	1/29/2013	12/01/2032	2.0-3.0%	4,755,000	4,415,000
2013 Taxable G.O. Bonds	6/11/2013	12/01/2029	2.0-3.7%	2,110,000	1,990,000
2013 G.O. Bonds	6/11/2013	3/01/2029	2.0-3.0%	1,835,000	1,720,000
2013 State Trust Fund Loan	7/10/2013	3/15/2033	3.75%	401,500	386,625
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	50,000	40,702
2013 State Trust Fund Loan	7/10/2013	3/15/2026	3.75%	252,000	218,066
2013 State Trust Fund Loan	11/27/2013	3/15/2026	4.25%	113,500	107,331
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	280,000	227,928
2013 State Trust Fund Loan	7/26/2013	3/15/2019	2.75%	254,717	173,861
2013 State Trust Fund Loan	7/26/2013	3/15/2026	3.75%	439,091	382,486
2013 State Trust Fund Loan	7/26/2013	3/15/2030	3.75%	474,732	432,034
2014 State Trust Fund Loan	1/24/2014	3/15/2033	4.50%	1,149,323	1,136,797
2014 G.O. Notes	3/13/2014	2/1/2024	0.4-2.6%	1,575,000	<u>1,475,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 16,067,855</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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, 2015</u>
2007 G.O. Notes	9/10/2007	11/1/2016	4.0-4.25%	\$ 900,000	\$ 30,000
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	305,000	225,000
2013 G.O. Bonds	6/11/2013	3/01/2029	2.0-3.0%	125,000	105,000
2014 G.O. Bonds	3/13/2014	2/1/2024	0.4-2.6%	225,000	<u>220,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 580,000</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>
2016	\$ 1,442,425	\$ 459,373	\$ 120,000	\$ 11,700
2017	1,354,299	419,884	90,000	9,390
2018	1,398,398	389,050	90,000	7,890
2019	1,292,898	357,257	100,000	6,690
2020	1,271,253	324,429	105,000	4,250
2021-2025	5,146,186	1,151,503	75,000	3,230
2026-2030	3,424,249	445,854	-	-
2031-2033	<u>738,147</u>	<u>51,498</u>	-	-
Totals	<u>\$ 16,067,855</u>	<u>\$ 3,598,848</u>	<u>\$ 580,000</u>	<u>\$ 43,150</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, and 2014. 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 2034. Annual principal and interest payments on the bonds are expected to require 21% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,726,402. Principal and interest paid for the current year and total customer net revenues were \$158,077 and \$677,004, respectively.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

The wastewater utility has pledged future wastewater revenues, net of specified operating expenses, to repay revenue bonds issued in 2010 - 2013 and 2015. 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 2053. 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 \$19,594,050. Principal and interest paid for the current year and total customer net revenues were \$1,125,479 and \$1,722,562, respectively.

Revenue debt payable at December 31, 2015, 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, 2015</u>	
<u>Water Utility</u>						
2008 Safe Drinking Water Loan	11/26/2008	5/1/2028	1.42%	\$ 1,097,024	\$ 750,329	
2013 Safe Drinking Water Loan	11/27/2013	5/1/2033	1.155%	975,224	929,028	
2014 Safe Drinking Water Loan	12/23/2014	5/1/2034	1.155%	817,372	<u>786,434</u>	(1)
				Total Water Utility	<u>2,465,791</u>	

(1) - During 2014 the utility was authorized to issue \$918,688 of water system Safe Drinking Water Loan revenue bonds. The original amount reported above has been issued as of December 31, 2015. The repayment schedule is for the amount issued.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2015</u>	
<u>Wastewater Utility</u>						
2010 Clean Water Fund Loan	1/13/2010	5/1/2009	2.54%	\$ 12,633,196	\$ 10,406,051	
2011 Clean Water Fund Loan	9/28/2011	5/1/2031	2.4%	975,332	815,418	
2012 Clean Water Fund Loan	5/23/2012	5/1/2032	3.0%	486,465	430,507	
2013 Taxable Mortgage Revenue Bond	9/18/2013	9/18/2053	2.75%	3,559,000	3,458,128	
2015 Sewerage System Revenue Bond Anticipation Note	12/30/2015	9/1/2017	2.37%	100,000	<u>100,000</u>	(1)
				Total Wastewater Utility	<u>15,210,104</u>	

(1) - During 2015 the utility was authorized to issue \$2.1 million of sewerage system revenue bond anticipation notes. The original amount reported above has been issued as of December 31, 2015. The repayment schedule is for the amount issued.

Total Business-type Activities - Revenue Debt \$ 17,675,895

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 879,749	\$ 413,987
2017	1,000,740	393,246
2018	921,984	369,697
2019	943,750	347,027
2020	965,803	325,380
2021-2025	5,184,174	1,267,340
2026-2030	4,809,498	627,648
2031-2035	889,554	328,226
2036-2040	478,915	257,445
2041-2045	549,201	187,159
2046-2050	629,599	106,761
2051-2053	422,928	20,641
Totals	<u>\$ 17,675,895</u>	<u>\$ 4,644,557</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.

G. 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 \$320,000 reported as landfill postclosure care liability at December 31, 2015, represents the total amount needed by the city for postclosure care costs according to state and federal regulations. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

G. CLOSURE AND POSTCLOSURE CARE COST (cont.)

The city is required by state and federal laws and regulations to provide proof of financial assurance for the postclosure care costs. The city is in compliance with these requirements, and, at December 31, 2015, the city had restricted fund balance in the landfill settlement fund in the amount of \$204,091. 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.

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2015, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Construction in progress	\$ 368,866
Land	3,690,819
Other capital assets, net of accumulated depreciation/amortization	20,399,382
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	(7,445,574)
Less: Unamortized debt premium	<u>(181,719)</u>
Total Net Investment in Capital Assets	<u>\$ 16,831,774</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2015, include the following:

	General Fund	1985 CDBG	General Debt Service	General Capital Projects	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Inventories and prepaid items	\$ 230,452	\$ -	\$ -	\$ -	\$ 17,564	\$ 248,016
Noncurrent advances	1,402,899	-	-	-	-	1,402,899
Cemetery perpetual care	-	-	-	-	14,185	14,185
Restricted for:						
Loan programs	-	174,900	-	-	144,900	319,800
Debt service	-	-	436,288	-	35,545	471,833
Capital projects	-	-	-	105,312	-	105,312
Parking advisory board operations	-	-	-	-	96,310	96,310
Hazardous materials response	-	-	-	-	27,176	27,176
Landfill clean-up	-	-	-	-	204,091	204,091
Historical complex facilities and programs	-	-	-	-	24,590	24,590
Future dog park	-	-	-	-	1,988	1,988
K-9 program	-	-	-	-	9,272	9,272
TIF projects	-	-	-	-	2,270,899	2,270,899
Tourism	-	-	-	-	11,861	11,861
DARE	-	-	-	-	4,636	4,636
Committed to:						
Historic preservation	-	-	-	-	2,332	2,332
Fire inspection	-	-	-	-	3,107	3,107
Tank inspection training and labor costs	-	-	-	-	8,087	8,087
Playground equipment and maintenance	-	-	-	-	35,303	35,303
Assigned to:						
Recycling	-	-	-	-	7,974	7,974
Unassigned (deficit):	<u>1,301,329</u>	<u>-</u>	<u>-</u>	<u>(313,087)</u>	<u>(652,746)</u>	<u>335,496</u>
Total Fund Balances (Deficit)	<u>\$ 2,934,680</u>	<u>\$ 174,900</u>	<u>\$ 436,288</u>	<u>\$ (207,775)</u>	<u>\$ 2,267,074</u>	<u>\$ 5,605,167</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Construction in progress	\$ 643,275
Land	1,657,329
Other capital assets, net of accumulated depreciation	46,483,340
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(18,255,895)</u>
 Total Net Investment in Capital Assets	 <u><u>\$ 30,528,049</u></u>

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

	Governmental Activities	Business-type Activities	Water Utility	Wastewater Utility	Stormwater Utility	Golf Course
Net Position - December 31, 2014 (as reported)	\$ 14,833,930	\$ 33,844,085	\$11,306,562	\$ 21,703,241	\$ 1,872,755	\$(1,038,473)
Add: Net pension asset	1,674,962	274,730	84,347	137,715	5,079	47,589
Add: Deferred outflows related to pensions	<u>416,201</u>	<u>68,266</u>	<u>20,959</u>	<u>34,220</u>	<u>1,262</u>	<u>11,825</u>
Net Position - December 31, 2014 (as restated)	<u><u>\$ 16,925,093</u></u>	<u><u>\$ 34,187,081</u></u>	<u><u>\$11,411,868</u></u>	<u><u>\$ 21,875,176</u></u>	<u><u>\$ 1,879,096</u></u>	<u><u>\$ (979,059)</u></u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

J. COMPONENT UNITS

RHINELANDER-ONEIDA COUNTY AIRPORT

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year end, the carrying amount of the airport's deposits was \$76,937 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	\$ 100,487	\$ 267,431	\$ -	\$ 367,918	
Land	187,500	-	-	187,500	
Buildings and improvements	4,790,231	-	-	4,790,231	25 - 50
Machinery and equipment	3,088,624	46,880	265,946	2,869,558	3 - 25
Infrastructure	11,408,466	-	-	11,408,466	10 - 60
Less: Accumulated depreciation	<u>(10,318,394)</u>	<u>(657,973)</u>	<u>265,946</u>	<u>(10,710,421)</u>	
Totals	<u>\$ 9,256,914</u>	<u>\$ (343,662)</u>	<u>\$ -</u>	<u>\$ 8,913,252</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, 2015

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

J. COMPONENT UNITS (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 2014 state trust fund loan, 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.

f. Restatement of Net Position

Net position has been restated as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions to the Measurement Date*. The December 31, 2014 reported net position was \$9,554,687. The restatement added a net pension asset of \$105,250 and deferred outflows related to pension of \$26,153. The December 31, 2014 net position as restated is \$9,686,090.

RHINELANDER DISTRICT LIBRARY

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

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

a. Basis of Accounting/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 \$69,815 and is part of the city's commingled cash. See Note III. A.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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

J. COMPONENT UNITS (cont.)

LIBRARY COMPONENT UNIT (cont.)

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	1,909,449	52,790	191,863	1,770,376	3 - 25
Less: Accumulated depreciation	<u>(3,100,118)</u>	<u>(110,265)</u>	<u>191,863</u>	<u>(3,018,520)</u>	
 Totals	 <u>\$ 281,905</u>	 <u>\$ (57,475)</u>	 <u>\$ -</u>	 <u>\$ 224,430</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 airport is contributing toward the debt service requirements on the city's 2014 state trust fund loan, 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.

f. Restatement of Net Position

Net position has been restated as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions to the Measurement Date*. The December 31, 2014 reported net position was \$218,032. The restatement added a net pension asset of \$131,916 and deferred outflows related to pension of \$32,779. The December 31, 2014 net position as restated is \$382,727.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

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

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

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, 2015

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. 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 \$543,399 in contributions from the city.

Contribution rates as of December 31, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At December 31, 2015, the city (including component units) reported an asset of \$1,356,423 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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, 2014, the city's proportion was 0.05522279%, which was a decrease of 0.00024604% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the city recognized pension expense of \$507,828.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2015, the city reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 196,640
Net differences between projected and actual earnings on pension plan investments	656,845
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,020
Employer contributions subsequent to the measurement date	544,900
Totals	\$ 1,409,405

\$544,900 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 211,554	\$ -
2017	211,554	-
2018	211,554	-
2019	211,554	-
2020	18,289	-

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7	23
Fixed Income	1.7	36
Inflation Sensitive Assets	2.3	20
Real Estate	4.2	7
Private Equity/Debt	6.9	7
Multi-Asset	3.9	6
Cash	0.9	-20

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 3.56%. 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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	\$3,826,702	\$(1,356,423)	\$(5,449,845)

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://legis.wisconsin.gov/lab/> and reference report number 15-11.

At December 31, 2015, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

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

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.

The city has active construction projects as of December 31, 2015. 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 \$99,575 in open construction contracts at December 31, 2015.

D. SUBSEQUENT EVENTS

On April 27, 2016, the city issued general obligation corporate purpose bonds in the amount of \$2,200,000 with interest rates of 2.00-3.00% to fund various capital projects.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

D. SUBSEQUENT EVENTS (cont.)

On April 27, 2016, the city issued general obligation refunding bonds in the amount of \$1,135,000 with interest rates of 1.75-3.75% to refund the city's 2014 state trust fund loan.

On May 12, 2016, the city issued sewerage system mortgage revenue bonds in the amount of \$3,431,650 with an interest rate of 2.75% to refund the city's 2013 taxable mortgage revenue bond.

On May 25, 2016, the city issued a safe drinking water loan in the amount of \$2,138,893 with an interest rate of 0.99%. The amount will be used for improvements to the city's water system. As of the date of these financial statements, \$111,612 has been drawn on the loan.

On May 25, 2016, the city issued a clean water fund loan in the amount of \$1,270,592 with an interest rate of 2.10%. The amount will be used for improvements to the city's sewerage system. As of the date of these financial statements, \$50,000 has been drawn on the loan.

During 2016, the city made an additional draw in the amount of \$64,039 on its 2014 safe drinking water loan.

E. RELATED ORGANIZATIONS

Housing Authority

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE IV - OTHER INFORMATION (cont.)

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

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

- > Statement No. 72, *Fair Value Measurement and Application*
- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- > Statement No. 77, *Tax Abatement Disclosures*
- > Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- > Statement No. 79, *Certain External Investment Pools and Pool Participants*
- > Statement No. 80, *Blending Requirements for Certain Component Units*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 82, *Pension Issues - an amendment of GASB Statements 67, 68, 73*

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,737,554	\$ 4,737,554	\$ 4,743,661	\$ 6,107
Special assessments	7,500	7,500	17,941	10,441
Intergovernmental	1,869,699	1,869,699	1,873,783	4,084
Licenses and permits	153,450	153,450	174,631	21,181
Fines, forfeitures and penalties	43,700	43,700	38,968	(4,732)
Charges for services	315,587	315,587	317,976	2,389
Investment income	20,040	20,040	22,499	2,459
Miscellaneous	<u>20,300</u>	<u>20,300</u>	<u>74,888</u>	<u>54,588</u>
Total Revenues	<u>7,167,830</u>	<u>7,167,830</u>	<u>7,264,347</u>	<u>96,517</u>
EXPENDITURES				
Current:				
General government	1,135,035	1,159,035	1,124,647	34,388
Public safety	3,964,042	3,992,559	3,927,117	65,442
Public works	1,931,262	1,943,262	1,688,277	254,985
Health and human services	79,859	79,859	69,407	10,452
Culture, recreation and education	214,796	214,796	226,538	(11,742)
Conservation and development	34,000	34,500	38,007	(3,507)
Capital Outlay	<u>3,200</u>	<u>3,200</u>	<u>8,801</u>	<u>(5,601)</u>
Debt Service				
Total Expenditures	<u>7,362,194</u>	<u>7,427,211</u>	<u>7,082,794</u>	<u>344,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,364)</u>	<u>(259,381)</u>	<u>181,553</u>	<u>440,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	295,000	295,000	291,016	(3,984)
Transfers out	(100,000)	(100,000)	(115,485)	(15,485)
Property sales	<u>-</u>	<u>-</u>	<u>288</u>	<u>288</u>
Total Other Financing Sources (Uses)	<u>195,000</u>	<u>195,000</u>	<u>175,819</u>	<u>(19,181)</u>
Net Change in Fund Balance	636	(64,381)	357,372	421,753
FUND BALANCE - Beginning of Year	<u>2,577,308</u>	<u>2,577,308</u>	<u>2,577,308</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,577,944</u>	<u>\$ 2,512,927</u>	<u>\$ 2,934,680</u>	<u>\$ 421,753</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 WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended December 31, 2015

Year End	City's Proportion of the Net Pension Asset	City's Proportionate Share of the Net Pension Asset	City's Covered Payroll	City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
12/31/15	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, 2015

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
12/31/15	\$ 544,900	\$ 544,900	-	\$ 6,130,156	8.89%

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, 2015

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 that occurred within the fiscal year.

The city is required to present the last ten fiscal 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, 2015

	Special Revenue				
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works	Hazardous Materials
ASSETS					
Cash and investments	\$ 787	\$ 14,236	\$ 82,125	\$ 119,762	\$ 27,176
Receivables					
Taxes	36,911	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	79,693	-
Other	-	-	15,000	-	-
Due from other governments	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 37,698</u>	<u>\$ 14,236</u>	<u>\$ 97,125</u>	<u>\$ 199,455</u>	<u>\$ 27,176</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 25,837	\$ 5,901	\$ 815	\$ -	\$ -
Accrued liabilities	-	361	-	-	-
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>25,837</u>	<u>6,262</u>	<u>815</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unearned revenues	-	-	-	-	-
Unavailable revenues	-	-	-	79,693	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,693</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	11,861	-	96,310	119,762	27,176
Committed	-	-	-	-	-
Assigned	-	7,974	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total Fund Balances	<u>11,861</u>	<u>7,974</u>	<u>96,310</u>	<u>119,762</u>	<u>27,176</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 37,698</u>	<u>\$ 14,236</u>	<u>\$ 97,125</u>	<u>\$ 199,455</u>	<u>\$ 27,176</u>

Special Revenue

Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	Dog Park	Boat Launch
\$ -	\$ 8,087	\$ 204,119	\$ 35,303	\$ 24,874	\$ 1,988	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
121,120	-	-	-	-	-	223,651
-	-	-	-	3,312	-	-
-	-	-	-	-	-	-
<u>\$ 121,120</u>	<u>\$ 8,087</u>	<u>\$ 204,119</u>	<u>\$ 35,303</u>	<u>\$ 28,186</u>	<u>\$ 1,988</u>	<u>\$ 223,651</u>
\$ 15,858	\$ -	\$ 28	\$ -	\$ 284	\$ -	\$ 119
-	-	-	-	-	-	-
17,628	-	-	-	-	-	-
99,841	-	-	-	-	-	181,015
40,000	-	-	-	-	-	-
<u>173,327</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>284</u>	<u>-</u>	<u>181,134</u>
-	-	-	-	-	-	-
<u>75,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,651</u>
75,826	-	-	-	-	-	223,651
-	-	-	-	3,312	-	-
-	-	204,091	-	24,590	1,988	-
-	8,087	-	35,303	-	-	-
-	-	-	-	-	-	-
<u>(128,033)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,134)</u>
<u>(128,033)</u>	<u>8,087</u>	<u>204,091</u>	<u>35,303</u>	<u>27,902</u>	<u>1,988</u>	<u>(181,134)</u>
<u>\$ 121,120</u>	<u>\$ 8,087</u>	<u>\$ 204,119</u>	<u>\$ 35,303</u>	<u>\$ 28,186</u>	<u>\$ 1,988</u>	<u>\$ 223,651</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2015

	Special Revenue				
	HCRI Grant	K-9	CDBG/EAP	Fire Inspection Seminars	Cemetery Perpetual Care
ASSETS					
Cash and investments	\$ 25,138	\$ 9,641	\$ -	\$ 3,107	\$ 14,185
Receivables					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Other	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 25,138</u>	<u>\$ 9,641</u>	<u>\$ -</u>	<u>\$ 3,107</u>	<u>\$ 14,185</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 369	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>369</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>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	14,185
Restricted	25,138	9,272	-	-	-
Committed	-	-	-	3,107	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total Fund Balances	<u>25,138</u>	<u>9,272</u>	<u>-</u>	<u>3,107</u>	<u>14,185</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 25,138</u>	<u>\$ 9,641</u>	<u>\$ -</u>	<u>\$ 3,107</u>	<u>\$ 14,185</u>

Special Revenue					Debt Service	
Parking	DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental TIF #1	TIF #5
\$ -	\$ 4,636	\$ 2,332	\$ -	\$ -	\$ -	\$ 35,545
-	-	-	-	-	101,977	15,114
-	-	-	120,678	-	-	-
-	-	-	-	73,336	-	-
-	-	-	-	-	-	-
-	-	-	14,252	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,636</u>	<u>\$ 2,332</u>	<u>\$ 134,930</u>	<u>\$ 73,336</u>	<u>\$ 101,977</u>	<u>\$ 50,659</u>
\$ -	\$ -	\$ -	\$ 5,609	\$ -	\$ -	\$ -
-	-	-	2,582	-	-	-
-	-	-	-	-	-	-
-	-	-	-	73,845	-	-
-	-	-	128,104	-	176,608	-
-	-	-	<u>136,295</u>	<u>73,845</u>	<u>176,608</u>	-
-	-	-	-	-	101,977	15,114
-	-	-	40,608	73,336	-	-
-	-	-	40,608	73,336	101,977	15,114
-	-	-	14,252	-	-	-
-	4,636	-	-	-	-	35,545
-	-	2,332	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(56,225)	(73,845)	(176,608)	-
-	<u>4,636</u>	<u>2,332</u>	<u>(41,973)</u>	<u>(73,845)</u>	<u>(176,608)</u>	<u>35,545</u>
<u>\$ -</u>	<u>\$ 4,636</u>	<u>\$ 2,332</u>	<u>\$ 134,930</u>	<u>\$ 73,336</u>	<u>\$ 101,977</u>	<u>\$ 50,659</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2015

	Capital Projects				Total Nonmajor Governmental Funds
	TIF #6	TIF #8	TIF #9	TIF #10	
ASSETS					
Cash and investments	\$ -	\$ 51,840	\$ 905,780	\$ 98,279	\$ 1,668,940
Receivables					
Taxes	82,168	-	588,747	128,790	953,707
Accounts	-	-	-	-	120,678
Loans	437,817	-	-	-	517,510
Other	-	-	-	-	88,336
Due from other governments	-	-	-	-	344,771
Inventories and prepaid items	-	-	-	-	17,564
Advances to other funds	-	-	1,215,000	-	1,215,000
TOTAL ASSETS	<u>\$ 519,985</u>	<u>\$ 51,840</u>	<u>\$ 2,709,527</u>	<u>\$ 227,069</u>	<u>\$ 4,926,506</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 54,820
Accrued liabilities	-	-	-	-	2,943
Due to other governments	-	-	-	-	17,628
Due to other funds	36,900	-	-	-	391,601
Advances from other funds	-	-	-	-	344,712
Total Liabilities	<u>36,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811,704</u>
Deferred Inflows of Resources					
Unearned revenues	82,169	-	588,747	128,790	916,797
Unavailable revenues	437,817	-	-	-	930,931
Total Deferred Inflows of Resources	<u>519,986</u>	<u>-</u>	<u>588,747</u>	<u>128,790</u>	<u>1,847,728</u>
Fund Balances					
Nonspendable	-	-	-	-	31,749
Restricted	-	51,840	2,120,780	98,279	2,831,268
Committed	-	-	-	-	48,829
Assigned	-	-	-	-	7,974
Unassigned (deficit)	(36,901)	-	-	-	(652,746)
Total Fund Balances	<u>(36,901)</u>	<u>51,840</u>	<u>2,120,780</u>	<u>98,279</u>	<u>2,267,074</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 519,985</u>	<u>\$ 51,840</u>	<u>\$ 2,709,527</u>	<u>\$ 227,069</u>	<u>\$ 4,926,506</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Special Revenue			
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
REVENUES				
Taxes	\$ 192,167	\$ -	\$ -	\$ -
Intergovernmental	-	22,620	-	-
Licenses and permits	-	-	4,302	-
Fines, forfeitures and penalties	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	1,651
Miscellaneous	2,252	-	48,916	17,217
Total Revenues	<u>194,419</u>	<u>22,620</u>	<u>53,218</u>	<u>18,868</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	134,358	34,410	-
Culture, recreation and education	154,726	-	-	-
Conservation and development	-	-	-	35,034
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>154,726</u>	<u>134,358</u>	<u>34,410</u>	<u>35,034</u>
Excess (deficiency) of revenues over expenditures	<u>39,693</u>	<u>(111,738)</u>	<u>18,808</u>	<u>(16,166)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	100,000	31,314	-
Transfers out	(26,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(26,000)</u>	<u>100,000</u>	<u>31,314</u>	<u>-</u>
Net Change in Fund Balances	13,693	(11,738)	50,122	(16,166)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(1,832)</u>	<u>19,712</u>	<u>46,188</u>	<u>135,928</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 11,861</u>	<u>\$ 7,974</u>	<u>\$ 96,310</u>	<u>\$ 119,762</u>

Special Revenue

Hazardous Materials	Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	Dog Park
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,375	348,710	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,670	-	2,850	-	-
-	-	-	-	-	-	-
<u>7,465</u>	<u>11,688</u>	<u>-</u>	<u>-</u>	<u>5,060</u>	<u>11,646</u>	<u>-</u>
<u>19,840</u>	<u>360,398</u>	<u>4,670</u>	<u>-</u>	<u>7,910</u>	<u>11,646</u>	<u>-</u>
9,474	-	2,271	-	-	-	-
-	383,465	-	27,053	-	-	-
-	-	-	-	7,447	41,044	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,474</u>	<u>383,465</u>	<u>2,271</u>	<u>27,053</u>	<u>7,447</u>	<u>41,044</u>	<u>-</u>
<u>10,366</u>	<u>(23,067)</u>	<u>2,399</u>	<u>(27,053)</u>	<u>463</u>	<u>(29,398)</u>	<u>-</u>
-	-	-	-	-	26,000	-
-	-	-	-	-	-	-
-	-	-	-	-	<u>26,000</u>	-
10,366	(23,067)	2,399	(27,053)	463	(3,398)	-
<u>16,810</u>	<u>(104,966)</u>	<u>5,688</u>	<u>231,144</u>	<u>34,840</u>	<u>31,300</u>	<u>1,988</u>
<u>\$ 27,176</u>	<u>\$ (128,033)</u>	<u>\$ 8,087</u>	<u>\$ 204,091</u>	<u>\$ 35,303</u>	<u>\$ 27,902</u>	<u>\$ 1,988</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Special Revenue			
	Boat Launch	HCRI Grant	K-9	CDBG/EAP
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	125	-	-	-
Charges for services	5,644	-	-	-
Investment income	-	11	-	-
Miscellaneous	-	-	1,266	-
Total Revenues	<u>5,769</u>	<u>11</u>	<u>1,266</u>	<u>-</u>
EXPENDITURES				
Current				
Public safety	-	-	630	-
Public works	-	-	-	-
Culture, recreation and education	5,322	-	-	-
Conservation and development	-	1,102	-	-
Capital Outlay	43,123	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>48,445</u>	<u>1,102</u>	<u>630</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(42,676)</u>	<u>(1,091)</u>	<u>636</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	9,029
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,029</u>
Net Change in Fund Balances	(42,676)	(1,091)	636	9,029
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(138,458)</u>	<u>26,229</u>	<u>8,636</u>	<u>(9,029)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (181,134)</u>	<u>\$ 25,138</u>	<u>\$ 9,272</u>	<u>\$ -</u>

Special Revenue

Fire Inspection Seminars	Cemetery Perpetual Care	Parking	DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	5,395	-
-	-	-	-	-	-	-
855	-	-	-	-	530,462	-
-	-	-	-	-	-	-
-	1,050	-	-	-	92,603	-
<u>855</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,460</u>	<u>-</u>
923	-	-	693	-	514,637	-
-	-	-	-	-	-	662
-	-	-	-	325	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	56,869
-	-	-	-	-	120,597	-
-	-	-	-	-	43,850	-
<u>923</u>	<u>-</u>	<u>-</u>	<u>693</u>	<u>325</u>	<u>679,084</u>	<u>57,531</u>
<u>(68)</u>	<u>1,050</u>	<u>-</u>	<u>(693)</u>	<u>(325)</u>	<u>(50,624)</u>	<u>(57,531)</u>
-	-	15,485	-	-	-	-
-	-	-	-	-	-	(16,314)
-	-	<u>15,485</u>	-	-	-	<u>(16,314)</u>
(68)	1,050	15,485	(693)	(325)	(50,624)	(73,845)
<u>3,175</u>	<u>13,135</u>	<u>(15,485)</u>	<u>5,329</u>	<u>2,657</u>	<u>8,651</u>	<u>-</u>
<u>\$ 3,107</u>	<u>\$ 14,185</u>	<u>\$ -</u>	<u>\$ 4,636</u>	<u>\$ 2,332</u>	<u>\$ (41,973)</u>	<u>\$ (73,845)</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2015

	Debt Service		Capital Projects	
	Environmental			
	TIF #1	TIF #5	TIF #6	TIF #8
REVENUES				
Taxes	\$ 109,674	\$ 15,273	\$ 39,698	\$ -
Intergovernmental	-	15,000	12,738	12,147
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	23,979	-
Miscellaneous	7,044	-	18,930	-
Total Revenues	116,718	30,273	95,345	12,147
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture, recreation and education	-	-	-	-
Conservation and development	1,060	4,171	3,528	1,366
Capital Outlay	-	-	-	-
Debt Service				
Principal	80,000	-	70,847	25,172
Interest and fiscal charges	49,575	-	47,399	6,960
Total Expenditures	130,635	4,171	121,774	33,498
Excess (deficiency) of revenues over expenditures	(13,917)	26,102	(26,429)	(21,351)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(15,000)	-	-
Total Other Financing Sources (Uses)	-	(15,000)	-	-
Net Change in Fund Balances	(13,917)	11,102	(26,429)	(21,351)
FUND BALANCES (DEFICIT) - Beginning of Year	(162,691)	24,443	(10,472)	73,191
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (176,608)	\$ 35,545	\$ (36,901)	\$ 51,840

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>TIF #9</u>	<u>TIF #10</u>	
\$ 623,549	\$ 98,997	\$ 1,079,358
16,925	-	445,910
-	-	4,302
-	-	125
-	-	544,481
32,500	-	58,141
-	-	225,137
<u>672,974</u>	<u>98,997</u>	<u>2,357,454</u>
-	-	528,628
-	-	579,948
-	-	208,864
3,433	1,416	51,110
-	-	99,992
339,495	14,875	650,986
<u>156,318</u>	<u>15,056</u>	<u>319,158</u>
<u>499,246</u>	<u>31,347</u>	<u>2,438,686</u>
<u>173,728</u>	<u>67,650</u>	<u>(81,232)</u>
-	-	181,828
-	-	(57,314)
-	-	<u>124,514</u>
173,728	67,650	43,282
<u>1,947,052</u>	<u>30,629</u>	<u>2,223,792</u>
<u>\$ 2,120,780</u>	<u>\$ 98,279</u>	<u>\$ 2,267,074</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2015

	<u>Stormwater Utility</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Current Assets			
Receivables			
Accounts	\$ 121,110	\$ -	\$ 121,110
Due from other funds	14,465	-	14,465
Inventories and prepaid items	<u>-</u>	<u>25,992</u>	<u>25,992</u>
Total Current Assets	<u>135,575</u>	<u>25,992</u>	<u>161,567</u>
Noncurrent Assets			
Restricted asset - net pension asset	3,150	29,517	32,667
Capital Assets			
Construction in progress	76,411	-	76,411
Land	35,666	-	35,666
Capital assets being depreciated	4,123,668	3,536,483	7,660,151
Less: Accumulated depreciation	<u>(1,869,362)</u>	<u>(3,066,065)</u>	<u>(4,935,427)</u>
Total Noncurrent Assets	<u>2,369,533</u>	<u>499,935</u>	<u>2,869,468</u>
Total Assets	<u>2,505,108</u>	<u>525,927</u>	<u>3,031,035</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>3,681</u>	<u>30,923</u>	<u>34,604</u>
LIABILITIES			
Current Liabilities			
Accounts payable	13,000	4,256	17,256
Accrued wages	211	1,575	1,786
Accrued interest	-	4,032	4,032
Deposits	-	1,000	1,000
Due to other funds	100,000	-	100,000
Current portion of general obligation debt	5,000	85,000	90,000
Current portion of compensated absences	<u>-</u>	<u>7,367</u>	<u>7,367</u>
Total Current Liabilities	<u>118,211</u>	<u>103,230</u>	<u>221,441</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	35,000	425,000	460,000
Other Liabilities			
Compensated absences	-	57,162	57,162
Advances from other funds	<u>400,212</u>	<u>1,091,488</u>	<u>1,491,700</u>
Total Noncurrent Liabilities	<u>435,212</u>	<u>1,573,650</u>	<u>2,008,862</u>
Total Liabilities	553,423	1,676,880	2,230,303
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	<u>-</u>	<u>3,904</u>	<u>3,904</u>
NET POSITION			
Net investment in capital assets	2,326,383	(39,582)	2,286,801
Restricted for			
Pension	3,150	29,517	32,667
Unrestricted (deficit)	<u>(374,167)</u>	<u>(1,113,869)</u>	<u>(1,488,036)</u>
TOTAL NET POSITION	<u>\$ 1,955,366</u>	<u>\$ (1,123,934)</u>	<u>\$ 831,432</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2015

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 428,699	\$ 624,211	\$ 1,052,910
Total Operating Revenues	<u>428,699</u>	<u>624,211</u>	<u>1,052,910</u>
OPERATING EXPENSES			
Operation and maintenance	214,628	630,089	844,717
Depreciation	136,926	124,176	261,102
Total Operating Expenses	<u>351,554</u>	<u>754,265</u>	<u>1,105,819</u>
Operating Income (Loss)	<u>77,145</u>	<u>(130,054)</u>	<u>(52,909)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(875)	(14,503)	(15,378)
Miscellaneous revenues	-	414	414
Gain (loss) on disposal of capital assets	-	(732)	(732)
Total Nonoperating Revenues (Expenses)	<u>(875)</u>	<u>(14,821)</u>	<u>(15,696)</u>
Change in Net Position	<u>76,270</u>	<u>(144,875)</u>	<u>(68,605)</u>
NET POSITION - Beginning of Year (as restated)	<u>1,879,096</u>	<u>(979,059)</u>	<u>900,037</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 1,955,366</u>	<u>\$ (1,123,934)</u>	<u>\$ 831,432</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2015

	Stormwater Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 389,682	\$ 649,696	\$ 1,039,378
Paid to suppliers for goods and services	(129,847)	(360,467)	(490,314)
Paid to employees for services	<u>(76,362)</u>	<u>(258,750)</u>	<u>(335,112)</u>
Net Cash Flows From Operating Activities	<u>183,473</u>	<u>30,479</u>	<u>213,952</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Negative cash implicitly financed	(134,558)	58,978	(75,580)
Donations received	-	414	414
Advances repaid to other funds	-	(367)	(367)
Interest on advance	<u>-</u>	<u>(1,723)</u>	<u>(1,723)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(134,558)</u>	<u>57,302</u>	<u>(77,256)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(5,000)	(75,000)	(80,000)
Interest and fiscal charges paid	(875)	(12,781)	(13,656)
Acquisition and construction of capital assets	(64,568)	-	(64,568)
Contribution received for construction	<u>21,528</u>	<u>-</u>	<u>21,528</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(48,915)</u>	<u>(87,781)</u>	<u>(136,696)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 77,145	\$ (130,054)	\$ (52,909)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	136,926	124,176	261,102
Changes in assets and liabilities			
Customer accounts receivable	(24,552)	-	(24,552)
Other accounts receivable	-	27,710	27,710
Due from other funds	(14,465)	-	(14,465)
Inventories and prepaid items	-	12,598	12,598
Accounts payable	8,986	(2,527)	6,459
Accrued wages	(77)	26	(51)
Accrued compensated absences	-	1,801	1,801
Unearned revenues	-	(2,225)	(2,225)
Pension related deferrals and asset	<u>(490)</u>	<u>(1,026)</u>	<u>(1,516)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 183,473</u>	<u>\$ 30,479</u>	<u>\$ 213,952</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via accounts payable	<u>\$ 1,350</u>	<u>\$ -</u>	

CITY OF RHINELANDER

COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of December 31, 2015

	<u>Tax Collection</u>	<u>Employee Benefits</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 3,118,528	\$ 35,630	\$ 3,154,158
Taxes receivable	<u>4,515,492</u>	<u>-</u>	<u>4,515,492</u>
TOTAL ASSETS	<u>\$ 7,634,020</u>	<u>\$ 35,630</u>	<u>\$ 7,669,650</u>
LIABILITIES			
Due to other governments	\$ 7,634,020	\$ -	\$ 7,634,020
Due to employees	<u>-</u>	<u>35,630</u>	<u>35,630</u>
TOTAL LIABILITIES	<u>\$ 7,634,020</u>	<u>\$ 35,630</u>	<u>\$ 7,669,650</u>

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNITS For the Year Ended December 31, 2015

	Rhinelander- Oneida County Airport	Rhinelander District Library	Totals
OPERATING REVENUES			
City appropriation	\$ 201,000	\$ 259,725	\$ 460,725
Township appropriations	-	456,734	456,734
County appropriation	-	164,278	164,278
Charges for services	1,022,026	-	1,022,026
Fines, donations, and miscellaneous	-	38,518	38,518
Total Operating Revenues	<u>1,223,026</u>	<u>919,255</u>	<u>2,142,281</u>
OPERATING EXPENSES			
Salaries and wages	390,303	484,756	875,059
Fringe benefits	168,437	230,402	398,839
Depreciation	657,973	110,265	768,238
Other expenses	<u>386,767</u>	<u>129,114</u>	<u>515,881</u>
Total Operating Expenses	<u>1,603,480</u>	<u>954,537</u>	<u>2,558,017</u>
OPERATING LOSS	(380,454)	(35,282)	(415,736)
NONOPERATING INCOME (EXPENSES)			
Investment income	345	-	345
Interest and fiscal charges	<u>(3,911)</u>	<u>(5,154)</u>	<u>(9,065)</u>
Total Nonoperating Income (Expenses)	<u>(3,566)</u>	<u>(5,154)</u>	<u>(8,720)</u>
Loss Before Contributions	(384,020)	(40,436)	(424,456)
CONTRIBUTIONS			
Capital contributions	<u>267,431</u>	<u>-</u>	<u>267,431</u>
CHANGE IN NET POSITION	(116,589)	(40,436)	(157,025)
NET POSITION - Beginning of Year (as restated)	<u>9,686,090</u>	<u>382,727</u>	<u>10,068,817</u>
NET POSITION - END OF YEAR	<u>\$ 9,569,501</u>	<u>\$ 342,291</u>	<u>\$ 9,911,792</u>

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS COMPONENT UNITS For the Year Ended December 31, 2015

	Rhineland- Oneida County Airport	Rhineland- District Library	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers and other local governments	\$ 841,052	\$ 659,530	\$ 1,500,582
Received from municipality	201,000	259,725	460,725
Paid to suppliers for goods and services	(554,886)	(358,160)	(913,046)
Paid to employees for services	<u>(390,312)</u>	<u>(484,461)</u>	<u>(874,773)</u>
Net Cash Flows From Operating Activities	<u>96,854</u>	<u>76,634</u>	<u>173,488</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>345</u>	<u>-</u>	<u>345</u>
Net Cash Flows From Investing Activities	<u>345</u>	<u>-</u>	<u>345</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances repaid to primary government	(833)	(1,098)	(1,931)
Interest on advance from primary government	<u>(3,911)</u>	<u>(5,154)</u>	<u>(9,065)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(4,744)</u>	<u>(6,252)</u>	<u>(10,996)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>(25,280)</u>	<u>(52,790)</u>	<u>(78,070)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(25,280)</u>	<u>(52,790)</u>	<u>(78,070)</u>
Net Change in Cash and Cash Equivalents	67,175	17,592	84,767
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>9,762</u>	<u>52,223</u>	<u>61,985</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 76,937</u>	<u>\$ 69,815</u>	<u>\$ 146,752</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$ (380,454)	\$ (35,282)	\$ (415,736)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities			
Depreciation	657,973	110,265	768,238
Changes in assets and liabilities			
Accounts receivable	4,793	-	4,793
Taxes receivable	3,919	(4,605)	(686)
Due from other governmental units	(185,767)	(13,012)	(198,779)
Prepaid items	(6,731)	-	(6,731)
Accounts payable	10,131	2,657	12,788
Accrued liabilities	9	(295)	(286)
Unearned revenue	(3,919)	17,617	13,698
Pension related deferrals and asset	<u>(3,100)</u>	<u>(711)</u>	<u>(3,811)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 96,854</u>	<u>\$ 76,634</u>	<u>\$ 173,488</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via capital contributions	<u>\$ 267,431</u>	<u>\$ -</u>	
Capital assets acquired via accounts payable	<u>\$ 21,600</u>	<u>\$ -</u>	

CITY OF RHINELANDER

REQUIRED BOND DISCLOSURES For the Year Ended December 31, 2015

INSURANCE COVERAGE

<u>Description</u>	<u>Amount of Coverage</u>	<u>Coverage Dates</u>	<u>Name of Insurer</u>
Auto Liability	\$ 5,000,000	1/1/15 to 1/1/16	Cities & Villages Mutual Insurance Co.
Workers Compensation	100,000	1/1/15 to 1/1/16	Cities & Villages Mutual Insurance Co.
Auto Physical Damage	1,500,000	1/1/15 to 1/1/16	Cities & Villages Mutual Insurance Co.
Employment Practices	1,000,000	1/1/15 to 1/1/16	Cities & Villages Mutual Insurance Co.
Boiler and Machinery	250,000,000	1/1/15 to 1/1/16	Cities & Villages Mutual Insurance Co.
General Liability	5,000,000	1/1/15 to 1/1/16	Cities & Villages Mutual Insurance Co.

OTHER INFORMATION

<u>User Classification</u>	<u>Wastewater</u>
Residential	2,804
Commercial	506
Industrial	33
Public Authority	55
Multifamily Residential	34
Volume of Water Used - Gallons (000's)	204,790

CITY OF RHINELANDER

DETAILED SCHEDULE OF OPERATING REVENUES AND EXPENSES - WASTEWATER UTILITY For the Year Ended December 31, 2015

OPERATING REVENUES

Sewer service charges	\$ 2,809,925
Forfeited discounts	45,248
Other	59,365
Total Operating Revenues	<u>2,914,538</u>

OPERATING EXPENSES

Supervision and labor	227,921
Power	131,455
Chemicals	42,060
Operating supplies	69,178
Transportation	12,138
Maintenance	196,317
Billing, collection and accounting	64,750
Meter reading	8,655
Administrative and general salaries	120,374
Office supplies	44,386
Outside services employed	42,251
Insurance	40,725
Employee benefits	137,969
Miscellaneous general	48,965
Total Operation and Maintenance Expenses	<u>1,187,144</u>
Depreciation	1,298,606
Taxes	33,783
Total Operating Expenses	<u>2,519,533</u>

OPERATING INCOME

\$ 395,005

CITY OF RHINELANDER

Rhineland, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2015

CITY OF RHINELANDER

TABLE OF CONTENTS For the Year Ended December 31, 2015

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>	1 – 2
Report on Compliance for Each Major Federal and Major State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance and the <i>State Single Audit Guidelines</i>	3 – 5
Schedule of Expenditures of Federal and State Awards	6 – 7
Notes to Schedule of Expenditures of Federal and State Awards	8
Schedule of Findings and Questioned Costs	9 – 12

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 the 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, 2015 and the related notes to the financial statements, which collectively comprise the City of Rhinelander's basic financial statements and have issued our report thereon dated July 29, 2016. In our report on the City of Rhinelander's financial statements, we expressed an adverse opinion on the aggregate discretely presented component units because the financial statements do not include all financial data for the city's legally separate component unit – the Rhinelander District Library. Information for the library board and Rhinelander District Library Foundation accounts has not been provided. Accounting principles generally accepted in the United States of America require the complete financial data for this component unit to be reported with the financial data of the city's primary government unless the city also issues financial statements for the financial reporting entity that include the complete financial data for its component units. The city has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units that would have been presented have not been determined.

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.

To the City Council
City of Rhinelander

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 questioned costs, that we consider to be material weaknesses. These material weaknesses are items 2015-001 and 2015-002.

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 questioned costs. 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 result 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 Vichow Krause, LLP

July 29, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

To the City Council
City of Rhinelander
Rhinelander, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of Rhinelander's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Rhinelander's major federal and major state programs for the year ended December 31, 2015. The City of Rhinelander's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

To the City Council
City of Rhinelander

Opinion on Each Major Federal and Major State Program

In our opinion, the City of Rhinelander complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

To the City Council
City of Rhinelander

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *State Single Audit Guidelines*

We have audited 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Rhinelander's basic financial statements. We issued our report thereon dated July 29, 2016. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our audit report included an adverse opinion on the City of Rhinelander's financial statements due to the omission of some of the financial data for the city's legally separate component unit – the Rhinelander District Library. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and is not a required part of the financial statements. Because of the significance of the matter disclosed in the auditors' report, it is inappropriate to, and we do not, express an opinion on the schedule of expenditures of federal and state awards.

Baker Tilly Vichow Krause, LLP

July 29, 2016

CITY OF RHINELANDER

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2015

Grantor Agency/ Program Title	Federal CFDA Number	Pass-through Agency	Pass-through Agency ID	Revenues			Total Revenues	Expend- itures
				(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
FEDERAL PROGRAMS								
U.S. Department of Agriculture								
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	00-02	\$ -	\$ 109,694	\$ 32,464	\$ 142,158	\$ 142,158
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	92-03	-	-	311,059	311,059	311,059
Total Water and Waste Disposal Systems for Rural Communities				-	109,694	343,523	453,217	453,217
U.S. Department of Housing and Urban Development								
Community Development Block Grant/State's Program	14.228	WI DOA	PLNG 13B-05	(15,000)	15,000	-	-	-
Community Development Block Grant/State's Program	14.228	WI DOA	PF FY13-21530	(29,412)	29,412	-	-	-
Total Community Development Block Grant/State's Program				(44,412)	44,412	-	-	-
U.S. Department of the Interior								
Sport Fish Restoration Program	15.605	WI DNR	F95P49/F13AF01116	(146,584)	-	182,973	36,389	36,389
U.S. Department of Justice								
Bulletproof Vest Partnership Program	16.607	N/A	None assigned	-	1,360	-	1,360	1,360
U.S. Department of Transportation								
Formula Grants for Rural Areas	20.509	WI DOT	WI-18-X055	-	-	25,748	25,748	25,748
Formula Grants for Rural Areas	20.509	WI DOT	Unknown	(45,913)	210,154	45,294	209,535	209,535
Total Formula Grants for Rural Areas				(45,913)	210,154	71,042	235,283	235,283
U.S. Environmental Protection Agency								
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WI DOA	5288-06	(467,293)	593,053	64,039	189,799	189,799
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WI DOA	5288-08	-	-	-	-	-
Total Capitalization Grants for Drinking Water State Revolving Funds				(467,293)	593,053	64,039	189,799	189,799
TOTAL FEDERAL PROGRAMS				\$ (704,202)	\$ 958,673	\$ 661,577	\$ 916,048	\$ 916,048

See accompanying notes to schedule of expenditures of federal and state awards.

CITY OF RHINELANDER

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (cont.)

For the Year Ended December 31, 2015

Grantor Agency/ Program Title	State ID Number	Revenues			Total Revenues	Expend- itures
		(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
STATE PROGRAMS						
Wisconsin Department of Natural Resources						
Aids in Lieu of Taxes	370.503	\$ -	\$ 9,858	\$ -	\$ 9,858	\$ 9,858
Recreational Boating Facilities Grant	370.573	(14,688)	-	40,678	25,990	25,990
Recycling Grants to Responsible Units	370.670	-	22,620	-	22,620	22,620
Total Wisconsin Department of Natural Resources		<u>(14,688)</u>	<u>32,478</u>	<u>40,678</u>	<u>58,468</u>	<u>58,468</u>
Wisconsin Department of Transportation						
Transit Operating Aid	395.104	(15,810)	112,793	32,450	129,433	129,433
Transportation Enhancement Aid	395.510	(16,925)	16,925	-	-	-
Total Wisconsin Department of Transportation		<u>(32,735)</u>	<u>129,718</u>	<u>32,450</u>	<u>129,433</u>	<u>129,433</u>
TOTAL STATE PROGRAMS		<u>\$ (47,423)</u>	<u>\$ 162,196</u>	<u>\$ 73,128</u>	<u>\$ 187,901</u>	<u>\$ 187,901</u>

See accompanying notes to schedule of expenditures of federal and state awards.

CITY OF RHINELANDER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state award activity of the City of Rhinelander under programs of the federal and state governments for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Rhinelander, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Rhinelander.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., 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. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – INDIRECT COST RATE

The City of Rhinelander has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

- WI DOA – Wisconsin Department of Administration
- WI DNR – Wisconsin Department of Natural Resources
- WI DOT – Wisconsin Department of Transportation

CITY OF RHINELANDER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Adverse for aggregate discretely presented component units
Unmodified for all other opinion units

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

FEDERAL OR STATE AWARDS

Internal control over major programs:

- | | Federal Programs | State Programs |
|--|--|--|
| > Material weakness(es) identified? | <u> </u> yes <u> X </u> no | <u> </u> yes <u> X </u> no |
| > Significant deficiencies identified that are not considered to be material weakness(es)? | <u> </u> yes <u> X </u> none reported | <u> </u> yes <u> X </u> none reported |

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance? yes X no

	Federal Programs	State Programs
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	\$ <u> 750,000 </u>	\$ <u> 250,000 </u>

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

CITY OF RHINELANDER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aid

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING 2015-001: 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: Due to its size, the city does not have the funds to hire the additional staff that would be required in order to have enough time and expertise to record all year end closing entries and prepare its own financial statements.

Effect: The city’s financial records may be materially misstated before the annual audit is completed. In addition, the annual financial statements and the schedule of expenditures of federal and state awards 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 with 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.

CITY OF RHINELANDER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

FINDING 2015-002: 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: Due to its size, The city does not have the resources to implement ideal controls over these transaction cycles.

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.

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.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF RHINELANDER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2015

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

FINDING 2014-001: 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: Due to its size, the city does not have the funds to hire the additional staff that would be required in order to have enough time and expertise to record all year end closing entries and prepare its own financial statements.

Effect: The city's financial records may be materially misstated before the annual audit is completed. In addition, the annual financial statements and the schedule of expenditures of federal and state awards are not available to the city until they are completed 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.

Management's Response/Planned Corrective Action: 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 with 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.

Current Status: These issues still apply, but the city is continuing to look for ways to improve in these areas.

CITY OF RHINELANDER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2015

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

FINDING 2014-002: 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, property taxes, utility billing and period close. There is a general lack of segregation of duties over these areas.

Cause: Due to its size, The city does not have the resources to implement ideal controls over these transaction cycles.

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.

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.

Management's Response/Planned Corrective Action: 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.

Current Status: These issues still apply, but the city is continuing to look for ways to improve in these areas.

FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

None noted.