

**CITY OF EAGLE RIVER, WISCONSIN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022**



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INDEPENDENT AUDITORS' REPORT

City Council
City of Eagle River, Wisconsin

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle River, Wisconsin (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1.G. to the financial statements, effective January 1, 2022, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with required to this matter.

As discussed in Note 4.D. to the financial statements, the City restated net position and fund balances related to corrections in the government-wide net position, business-type net position and the general fund balance. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

City Council
City of Eagle River, Wisconsin

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 17, 2023

BASIC FINANCIAL STATEMENTS

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 2,664,955	\$ 610,726	\$ 3,275,681
Receivables:			
Taxes and Special Charges	1,631,904	-	1,631,904
Delinquent Taxes	9	-	9
Accounts	-	442,003	442,003
Special Assessments	389	-	389
Leases	-	1,129,954	1,129,954
Loans	647,711	-	647,711
Other	176,867	40,610	217,477
Internal Balances	2,378,185	(2,378,185)	-
Due From Other Governments	418	-	418
Prepaid Items and Supplies	2,027	673,165	675,192
Restricted Assets:			
Cash and Investments	-	232,179	232,179
Net Pension Asset	623,932	385,643	1,009,575
Capital Assets, Nondepreciable	1,151,646	3,959,908	5,111,554
Capital Assets, Depreciable	8,375,282	11,836,671	20,211,953
Total Assets	17,653,325	16,932,674	34,585,999
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Amounts	1,210,534	751,259	1,961,793
Other Postemployment Related Amounts	56,634	32,068	88,702
Total Deferred Outflows of Resources	1,267,168	783,327	2,050,495
LIABILITIES			
Accounts Payable	250,581	684,731	935,312
Accrued and Other Current Liabilities	18,879	26,532	45,411
Due to Other Governments	647,711	-	647,711
Accrued Interest Payable	27,071	34,016	61,087
Unearned Revenues	-	47,440	47,440
Short-Term Note Payable	160,000	-	160,000
Long-Term Obligations:			
Due Within One Year	2,310,657	149,390	2,460,047
Due in More Than One Year	5,533,734	4,667,707	10,201,441
Other Postemployment Benefits	162,832	92,161	254,993
Total Liabilities	9,111,465	5,701,977	14,813,442
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	2,248,331	-	2,248,331
Leases Receivable	-	1,129,954	1,129,954
Pension Related Amounts	1,469,435	908,236	2,377,671
Other Postemployment Related Amounts	26,975	15,268	42,243
Total Deferred Inflows of Resources	3,744,741	2,053,458	5,798,199
NET POSITION			
Net Investment in Capital Assets	5,931,883	9,053,571	14,985,454
Restricted:			
Debt Service	744,851	232,179	977,030
Pension Benefits	623,932	385,643	1,009,575
Unrestricted	(1,236,379)	289,173	(947,206)
Total Net Position	\$ 6,064,287	\$ 9,960,566	\$ 16,024,853

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 527,907	\$ 44,059	\$ 4,679	\$ -
Public Safety	885,874	480	10,119	-
Public Works	1,387,320	114,897	286,536	756,934
Health and Human Services	45	-	-	-
Culture and Recreation	166,694	1,505	-	-
Conservation and Development	163,112	11,875	-	-
Interest and Fiscal Charges	189,785	-	-	-
Total Governmental Activities	<u>3,320,737</u>	<u>172,816</u>	<u>301,334</u>	<u>756,934</u>
BUSINESS-TYPE ACTIVITIES				
Golf Course	768,059	795,574	-	-
Electric Utility	3,732,633	3,730,959	-	-
Water Utility	636,796	609,492	-	-
Sewer Utility	903,751	665,982	-	747,874
Total Business-Type Activities	<u>6,041,239</u>	<u>5,802,007</u>	<u>-</u>	<u>747,874</u>
Total Primary Government	<u>\$ 9,361,976</u>	<u>\$ 5,974,823</u>	<u>\$ 301,334</u>	<u>\$ 1,504,808</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES			
General Government	\$ (479,169)	\$ -	\$ (479,169)
Public Safety	(875,275)	-	(875,275)
Public Works	(228,953)	-	(228,953)
Health and Human Services	(45)	-	(45)
Culture and Recreation	(165,189)	-	(165,189)
Conservation and Development	(151,237)	-	(151,237)
Interest and Fiscal Charges	(189,785)	-	(189,785)
Total Governmental Activities	<u>(2,089,653)</u>	-	<u>(2,089,653)</u>
BUSINESS-TYPE ACTIVITIES			
Golf Course	-	27,515	27,515
Electric Utility	-	(1,674)	(1,674)
Water Utility	-	(27,304)	(27,304)
Sewer Utility	-	510,105	510,105
Total Business-Type Activities	<u>-</u>	<u>508,642</u>	<u>508,642</u>
Total Primary Government	(2,089,653)	508,642	(1,581,011)
GENERAL REVENUES AND TRANSFERS			
Taxes:			
Property Taxes	1,579,556	-	1,579,556
Tax Increments	357,927	-	357,927
Other Taxes	435,441	-	435,441
Federal and State Grants and Other			
Contributions not Restricted to Specific Functions	239,046	-	239,046
Interest and Investment Earnings	18,028	35,078	53,106
Miscellaneous	175,545	129,432	304,977
Transfers	236,965	(236,965)	-
Total General Revenues and Transfers	<u>3,042,508</u>	<u>(72,455)</u>	<u>2,970,053</u>
CHANGE IN NET POSITION	<u>952,855</u>	<u>436,187</u>	<u>1,389,042</u>
Net Position - Beginning of Year, as Originally Stated	5,332,397	9,468,379	14,800,776
Prior Period Adjustment	<u>(220,965)</u>	<u>56,000</u>	<u>(164,965)</u>
Net Position - Beginning of Year, as Restated	<u>5,111,432</u>	<u>9,524,379</u>	<u>14,635,811</u>
NET POSITION - END OF YEAR	<u>\$ 6,064,287</u>	<u>\$ 9,960,566</u>	<u>\$ 16,024,853</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Tax Incremental District No. 2</u>
Cash and Investments	\$ 1,702,028	\$ 705,922	\$ 238,750	\$ -
Receivables:				
Taxes and Special Charges	1,345,582	-	-	107,635
Delinquent Taxes	9	-	-	-
Special Assessments	389	-	-	-
Loans	-	-	-	-
Other	176,867	-	-	-
Due from Other Funds	251,379	66,000	938,075	-
Advance to Other Funds	533,373	-	2,920,480	-
Due from Other Governments	418	-	-	-
Inventories and Prepaid Items	2,027	-	-	-
	<u>4,012,072</u>	<u>771,922</u>	<u>4,097,305</u>	<u>107,635</u>
Total Assets	\$ 4,012,072	\$ 771,922	\$ 4,097,305	\$ 107,635
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 172,032	\$ -	\$ 78,549	\$ -
Accrued and Other Current Liabilities	18,879	-	-	-
Due to Other Funds	1,796	-	-	938,075
Advance from Other Funds	-	-	-	354,085
Due to Other Governments	-	-	-	-
Short-Term Note Payable	160,000	-	-	-
Total Liabilities	<u>352,707</u>	<u>-</u>	<u>78,549</u>	<u>1,292,160</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	1,839,178	-	-	153,810
Unavailable Revenue - Special Assessments	389	-	-	-
Total Deferred Inflows of Resources	<u>1,839,567</u>	<u>-</u>	<u>-</u>	<u>153,810</u>
FUND BALANCES				
Nonspendable	535,400	-	2,920,480	-
Restricted	-	771,922	-	-
Assigned	-	-	1,098,276	-
Unassigned	1,284,398	-	-	(1,338,335)
Total Fund Balances	<u>1,819,798</u>	<u>771,922</u>	<u>4,018,756</u>	<u>(1,338,335)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,012,072	\$ 771,922	\$ 4,097,305	\$ 107,635

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Tax Incremental District No. 3	Non Major CDBG Loan Fund	Total
ASSETS			
Cash and Investments	\$ 18,255	\$ -	\$ 2,664,955
Receivables:			
Taxes and Special Charges	178,687	-	1,631,904
Delinquent Taxes	-	-	9
Special Assessments	-	-	389
Loans	-	647,711	647,711
Other	-	-	176,867
Due from Other Funds	-	-	1,255,454
Advance to Other Funds	-	-	3,453,853
Due from Other Governments	-	-	418
Inventories and Prepaid Items	-	-	2,027
	<u>\$ 196,942</u>	<u>\$ 647,711</u>	<u>\$ 9,833,587</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 250,581
Accrued and Other Current Liabilities	-	-	18,879
Due to Other Funds	-	-	939,871
Advance from Other Funds	1,037,166	-	1,391,251
Due to Other Governments	-	647,711	647,711
Short-Term Note Payable	-	-	160,000
Total Liabilities	<u>1,037,166</u>	<u>647,711</u>	<u>3,408,293</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	255,343	-	2,248,331
Unavailable Revenue - Special Assessments	-	-	389
Total Deferred Inflows of Resources	<u>255,343</u>	<u>-</u>	<u>2,248,720</u>
FUND BALANCES			
Nonspendable	-	-	3,455,880
Restricted	-	-	771,922
Assigned	-	-	1,098,276
Unassigned	(1,095,567)	-	(1,149,504)
Total Fund Balances	<u>(1,095,567)</u>	<u>-</u>	<u>4,176,574</u>
	<u>\$ 196,942</u>	<u>\$ 647,711</u>	<u>\$ 9,833,587</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 196,942</u>	<u>\$ 647,711</u>	<u>\$ 9,833,587</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

Total Fund Balances as Shown on Previous Page	\$ 4,176,574
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,526,928
Long-term assets are not current financial resources; therefore, are not reported in the funds:	
Net Pension Asset	623,932
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	389
Deferred outflows and inflows of resources represents a consumption or acquisition of net position that applies to a future period and, therefore, are no reported in the funds.	
Deferred Outflows Related to Pensions	1,210,534
Deferred Inflows Related to Pensions	(1,469,435)
Deferred Outflows Related to Other Postemployment Benefits	56,634
Deferred Inflows Related to Other Postemployment Benefits	(26,975)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and Notes Payable	(7,693,301)
Premium on Debt	(41,280)
Compensated Absences	(109,810)
Other Postemployment Benefit	(162,832)
Accrued Interest on Long-Term Obligations	(27,071)
Net Position of Governmental Activities as Reported on the Statement of Net Position	\$ 6,064,287

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Capital Projects	Tax Incremental District No. 2
REVENUES				
Taxes	\$ 1,464,539	\$ 550,458	\$ -	\$ 144,620
Special Assessments	1,899	-	-	-
Intergovernmental	542,203	750,000	-	1,479
Licenses and Permits	46,346	-	-	-
Fines and Forfeits	6,293	-	-	-
Public Charges for Services	112,133	-	-	-
Intergovernmental Charges for Services	45,342	-	-	-
Miscellaneous	90,263	66,012	-	-
Total Revenues	<u>2,309,018</u>	<u>1,366,470</u>	<u>-</u>	<u>146,099</u>
EXPENDITURES				
Current:				
General Government	514,326	-	-	-
Public Safety	941,008	-	-	-
Public Works	810,733	-	-	-
Health and Human Services	45	-	-	-
Culture and Recreation	167,715	-	-	-
Conservation and Development	161,347	-	-	1,109
Debt Service:				
Principal	-	1,706,369	-	160,394
Interest and Fiscal Charges	600	99,333	-	29,142
Capital Outlay	315,929	-	284,398	1,976
Total Expenditures	<u>2,911,703</u>	<u>1,805,702</u>	<u>284,398</u>	<u>192,621</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(602,685)	(439,232)	(284,398)	(46,522)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	125,000	2,192,307	-
Transfers In	236,965	912,096	-	-
Transfers Out	-	-	(747,874)	(164,222)
Total Other Financing Sources (Uses)	<u>236,965</u>	<u>1,037,096</u>	<u>1,444,433</u>	<u>(164,222)</u>
NET CHANGE IN FUND BALANCES	<u>(365,720)</u>	<u>597,864</u>	<u>1,160,035</u>	<u>(210,744)</u>
Fund Balances - Beginning of Year, as Originally Stated	2,223,316	174,058	2,858,721	(1,127,591)
Prior Period Adjustment	<u>(37,798)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning of Year, as Restated	<u>2,185,518</u>	<u>174,058</u>	<u>2,858,721</u>	<u>(1,127,591)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,819,798</u>	<u>\$ 771,922</u>	<u>\$ 4,018,756</u>	<u>\$ (1,338,335)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	Tax Incremental District No. 3	Non Major CDBG Loan Fund	Total
REVENUES			
Taxes	\$ 213,307	\$ -	\$ 2,372,924
Special Assessments	-	-	1,899
Intergovernmental	3,821	-	1,297,503
Licenses and Permits	-	-	46,346
Fines and Forfeits	-	-	6,293
Public Charges for Services	-	-	112,133
Intergovernmental Charges for Services	-	-	45,342
Miscellaneous	-	-	156,275
Total Revenues	<u>217,128</u>	<u>-</u>	<u>4,038,715</u>
EXPENDITURES			
Current:			
General Government	-	-	514,326
Public Safety	-	-	941,008
Public Works	758	-	811,491
Health and Human Services	-	-	45
Culture and Recreation	-	-	167,715
Conservation and Development	656	-	163,112
Debt Service:			
Principal	158,013	-	2,024,776
Interest and Fiscal Charges	103,126	-	232,201
Capital Outlay	8,476	-	610,779
Total Expenditures	<u>271,029</u>	<u>-</u>	<u>5,465,453</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(53,901)	-	(1,426,738)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	-	2,317,307
Transfers In	-	-	1,149,061
Transfers Out	-	-	(912,096)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,554,272</u>
NET CHANGE IN FUND BALANCES	<u>(53,901)</u>	<u>-</u>	<u>1,127,534</u>
Fund Balances - Beginning of Year, as Originally Stated	(1,041,666)	-	3,086,838
Prior Period Adjustment	-	-	(37,798)
Fund Balances - Beginning of Year, as Restated	<u>(1,041,666)</u>	<u>-</u>	<u>3,049,040</u>
FUND BALANCES - END OF YEAR	<u>\$ (1,095,567)</u>	<u>\$ -</u>	<u>\$ 4,176,574</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances as Shown on Previous Page \$ 1,127,534

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 Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Reported as Expenditures in Governmental Fund Statements	606,026
Depreciation Expense Reported in the Statement of Activities	(666,812)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(2,088)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Long-Term Debt Issued	(2,317,307)
Principal Repaid	2,024,774

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued Interest on Long-Term Debt	33,498
Amortization of Premium	8,920
Compensated Absences	7,020
Net Pension Asset	157,903
Deferred Outflows of Resources Related to Pensions	441,776
Deferred Inflows of Resources Related to Pensions	(448,440)
Other Postemployment Benefits	4,120
Deferred Outflows of Resources Related to Other Postemployment Benefits	(17,288)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(6,781)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities	<u>\$ 952,855</u>
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See accompanying Notes to Basic Financial Statements.

CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,271,098	\$ 1,271,098	\$ 1,464,539	\$ 193,441
Special Assessments	200	200	1,899	1,699
Intergovernmental	330,710	330,710	542,203	211,493
Licenses and Permits	35,480	35,480	46,346	10,866
Fines and Forfeits	6,800	6,800	6,293	(507)
Public Charges for Services	106,650	106,650	112,133	5,483
Intergovernmental Charges for Services	52,000	52,000	45,342	(6,658)
Miscellaneous	47,481	47,481	90,263	42,782
Total Revenues	<u>1,850,419</u>	<u>1,850,419</u>	<u>2,309,018</u>	<u>458,599</u>
EXPENDITURES				
Current:				
General Government	535,095	535,095	514,326	20,769
Public Safety	1,017,887	1,017,887	941,008	76,879
Public Works	945,592	945,592	810,733	134,859
Health and Human Services	-	-	45	(45)
Culture and Recreation	104,722	104,722	167,715	(62,993)
Conservation and Development	80,300	80,300	161,347	(81,047)
Debt Service:				
Interest and Fiscal Charges	-	-	600	(600)
Capital Outlay	-	-	315,929	(315,929)
Total Expenditures	<u>2,683,596</u>	<u>2,683,596</u>	<u>2,911,703</u>	<u>(228,107)</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(833,177)	(833,177)	(602,685)	230,492
OTHER FINANCING SOURCES				
Transfers In	<u>240,000</u>	<u>240,000</u>	<u>236,965</u>	<u>(3,035)</u>
NET CHANGE IN FUND BALANCE				
	<u>(593,177)</u>	<u>(593,177)</u>	<u>(365,720)</u>	<u>227,457</u>
Fund Balances - Beginning of Year, as Originally Stated	2,223,310	2,223,310	2,223,310	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(37,798)</u>	<u>(37,798)</u>
Fund Balances - Beginning of Year, as Restated	<u>2,185,512</u>	<u>2,185,512</u>	<u>2,185,512</u>	<u>(37,798)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,630,133</u></u>	<u><u>\$ 1,630,133</u></u>	<u><u>\$ 1,819,792</u></u>	<u><u>\$ 227,457</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Enterprise Funds				Total
	Golf Course	Electric Utility	Water Utility	Sewer Utility	
ASSETS					
Current Assets:					
Cash and Investments	\$ 116,324	\$ 477,152	\$ 17,250	\$ -	\$ 610,726
Receivables:					
Customer Accounts	212	326,646	56,917	58,228	442,003
Lease Due Within One Year	-	-	20,580	-	20,580
Other	-	39,519	866	225	40,610
Due From Other Funds	-	163,399	106,128	360,994	630,521
Inventories and Prepaid Items	27,027	552,594	93,544	-	673,165
Total Current Assets	143,563	1,559,310	295,285	419,447	2,417,605
Noncurrent Assets:					
Restricted Assets:					
Cash and Investments	-	107,778	-	124,401	232,179
Other Assets:					
Advance to Other Funds	-	-	658,202	733,049	1,391,251
Leases Receivable	-	-	1,109,374	-	1,109,374
Net Pension Asset	70,871	187,040	60,737	66,995	385,643
Total Other Assets	70,871	187,040	1,828,313	800,044	2,886,268
Capital Assets:					
Nondepreciable	423,893	3,872	241,867	3,290,276	3,959,908
Depreciable	393,029	2,902,775	4,524,702	4,016,165	11,836,671
Total Capital Assets	816,922	2,906,647	4,766,569	7,306,441	15,796,579
Total Assets	1,031,356	4,760,775	6,890,167	8,650,333	21,332,631
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Amounts	136,715	365,683	118,515	130,346	751,259
Other Postemployment Related Amounts	7,067	14,886	4,818	5,297	32,068
Total Deferred Outflows of Resources	143,782	380,569	123,333	135,643	783,327

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Enterprise Funds				Total
	Golf Course	Electric Utility	Water Utility	Sewer Utility	
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 73,831	\$ 610,900	\$ -	\$ -	\$ 684,731
Accrued and Other Current Liabilities	2,446	15,952	3,997	4,137	26,532
Accrued Interest Payable	2,037	-	10,831	21,148	34,016
Due to Other Funds	-	741,584	204,520	-	946,104
Advance from Other Funds	533,373	980,944	-	1,939,536	3,453,853
Unearned Revenues	3,290	-	44,150	-	47,440
Current Portion of Long-Term Debt	58,013	-	40,592	50,785	149,390
Total Current Liabilities	<u>672,990</u>	<u>2,349,380</u>	<u>304,090</u>	<u>2,015,606</u>	<u>5,342,066</u>
Long-Term Obligations, Less Current Portion:					
General Obligation Debt	211,064	-	-	-	211,064
Revenue Bonds	-	-	1,930,193	2,399,321	4,329,514
Compensated Absences	8,303	71,131	22,304	25,391	127,129
Other Postemployment Benefits	20,344	42,753	13,841	15,223	92,161
Total Long-Term Obligations	<u>239,711</u>	<u>113,884</u>	<u>1,966,338</u>	<u>2,439,935</u>	<u>4,759,868</u>
Total Liabilities	912,701	2,463,264	2,270,428	4,455,541	10,101,934
DEFERRED INFLOWS OF RESOURCES					
Leases Receivable	-	-	1,129,954	-	1,129,954
Pension Related Amounts	166,909	440,502	143,043	157,782	908,236
Other Postemployment Related Amounts	3,370	7,083	2,293	2,522	15,268
Total Deferred Inflows of Resources	<u>170,279</u>	<u>447,585</u>	<u>1,275,290</u>	<u>160,304</u>	<u>2,053,458</u>
NET POSITION					
Net Investment in Capital Assets	489,845	2,851,143	2,795,784	2,916,799	9,053,571
Restricted:					
Debt Service	-	107,778	-	124,401	232,179
Pension Benefits	70,871	187,040	60,737	66,995	385,643
Unrestricted	<u>(468,558)</u>	<u>(915,466)</u>	<u>611,261</u>	<u>1,061,936</u>	<u>289,173</u>
Total Net Position	<u>\$ 92,158</u>	<u>\$ 2,230,495</u>	<u>\$ 3,467,782</u>	<u>\$ 4,170,131</u>	<u>\$ 9,960,566</u>

See accompanying Notes to Basic Financial Statements.

CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds				Total
	Golf Course	Electric Utility	Water Utility	Sewer Utility	
OPERATING REVENUES					
Charges for Services	\$ 788,349	\$ 3,701,335	\$ 603,008	\$ 580,629	\$ 5,673,321
Other	7,225	29,624	6,484	85,353	128,686
Total Operating Revenues	<u>795,574</u>	<u>3,730,959</u>	<u>609,492</u>	<u>665,982</u>	<u>5,802,007</u>
OPERATING EXPENSES					
Operation and Maintenance	639,728	3,329,931	404,120	517,155	4,890,934
Depreciation	121,071	336,702	182,518	317,743	958,034
Total Operating Expenses	<u>760,799</u>	<u>3,666,633</u>	<u>586,638</u>	<u>834,898</u>	<u>5,848,968</u>
OPERATING INCOME (LOSS)	34,775	64,326	22,854	(168,916)	(46,961)
NONOPERATING REVENUES (EXPENSES)					
Interest Income	455	5,008	27,752	1,863	35,078
Interest and Fiscal Charges	(7,260)	(66,000)	(50,158)	(68,853)	(192,271)
Other Nonoperating Revenues (Expenses)	-	91,912	36,281	1,239	129,432
Total Nonoperating Revenues (Expenses)	<u>(6,805)</u>	<u>30,920</u>	<u>13,875</u>	<u>(65,751)</u>	<u>(27,761)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	27,970	95,246	36,729	(234,667)	(74,722)
Capital Contributions	-	-	-	747,874	747,874
Transfers Out	-	(130,776)	(93,689)	(12,500)	(236,965)
CHANGE IN NET POSITION	<u>27,970</u>	<u>(35,530)</u>	<u>(56,960)</u>	<u>500,707</u>	<u>436,187</u>
Net Position - Beginning of Year, as Originally Reported	8,188	2,266,025	3,524,742	3,669,424	9,468,379
Prior Period Adjustment	<u>56,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,000</u>
Net Position - Beginning of Year, as Restated	<u>64,188</u>	<u>2,266,025</u>	<u>3,524,742</u>	<u>3,669,424</u>	<u>9,524,379</u>
NET POSITION - END OF YEAR	<u>\$ 92,158</u>	<u>\$ 2,230,495</u>	<u>\$ 3,467,782</u>	<u>\$ 4,170,131</u>	<u>\$ 9,960,566</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Enterprise Funds				Total
	Golf Course	Electric Utility	Water Utility	Sewer Utility	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 795,700	\$ 3,790,045	\$ 618,459	\$ 664,440	\$ 5,868,644
Cash Paid to Suppliers	(299,918)	(3,142,546)	(195,949)	(393,798)	(4,032,211)
Cash Paid for Employee Wages and Benefits	(358,059)	(346,465)	(186,588)	(200,729)	(1,091,841)
Net Cash Provided by Operating Activities	137,723	301,034	235,922	69,913	744,592
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due To/From Other Funds	(47,781)	-	-	-	(47,781)
Nonoperating Revenues (Expenses)	-	91,912	3	1,239	93,154
Transfer Out	-	(115,381)	(103,032)	(12,500)	(230,913)
Net Cash Used by Noncapital Financing Activities	(47,781)	(23,469)	(103,029)	(11,261)	(185,540)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(134,043)	(278,705)	(120,195)	(1,281,963)	(1,814,906)
Advance to (from) Other Funds	-	-	-	1,237,986	1,237,986
Lease Received	-	-	36,278	-	36,278
Proceeds of Long-Term Debt	47,300	-	-	-	47,300
Cash Received from Municipality for Long-Term Debt	-	-	13,270	15,028	28,298
Principal Paid on Long-Term Debt	(52,638)	-	(39,613)	(49,556)	(141,807)
Interest Paid on Long-Term Debt	(7,310)	-	(50,385)	(60,986)	(118,681)
Net Cash Used by Capital and Related Financing Activities	(146,691)	(278,705)	(160,645)	(139,491)	(725,532)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	455	5,008	27,752	1,863	35,078
CHANGE IN CASH AND CASH EQUIVALENTS	(56,294)	3,868	-	(78,976)	(131,402)
Cash and Cash Equivalents - Beginning of Year	172,618	581,062	17,250	203,377	974,307
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 116,324</u>	<u>\$ 584,930</u>	<u>\$ 17,250</u>	<u>\$ 124,401</u>	<u>\$ 842,905</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	Enterprise Funds				Total
	Golf Course	Electric Utility	Water Utility	Sewer Utility	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 34,775	\$ 64,326	\$ 22,854	\$ (168,916)	\$ (46,961)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	121,071	336,702	182,518	317,743	958,034
Depreciation Charged to Sewer Utility	-	-	6,283	(6,283)	-
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources:					
Net Pension Asset	1,351	(39,933)	(9,251)	(15,397)	(63,230)
Deferred Outflows - Pension Related	(17,579)	(123,017)	(33,584)	(45,231)	(219,411)
Deferred Outflows - OPEB Related	8,885	882	685	245	10,697
OPEB Liability	(15,836)	7,252	1,438	2,747	(4,399)
Deferred Inflows - Pension Related	8,682	118,215	30,244	44,741	201,882
Deferred Inflows - OPEB Related	(1,006)	2,789	793	1,013	3,589
Change in Operating Assets and Liabilities:					
Customer Accounts Receivables	-	45,806	3,367	(2,133)	47,040
Other Receivable	-	13,280	(683)	591	13,188
Inventories and Prepaid Items	(7,631)	(112,645)	(21,527)	-	(141,803)
Accounts Payable	(4,162)	(20,435)	(3,835)	-	(28,432)
Accrued and Other Current Liabilities	744	(3,703)	-	-	(2,959)
Due to Other Funds	-	6,169	54,943	(61,115)	(3)
Unearned Revenues	126	-	-	-	126
Compensated Absences	8,303	5,346	1,677	1,908	17,234
Net Cash Provided by Operating Activities	<u>\$ 137,723</u>	<u>\$ 301,034</u>	<u>\$ 235,922</u>	<u>\$ 69,913</u>	<u>\$ 744,592</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents in Current Assets	\$ 116,324	\$ 477,152	\$ 17,250	\$ -	\$ 610,726
Cash and cash Equivalents in Restricted Assets	-	107,778	-	124,401	232,179
Total Cash and Cash Equivalents	<u>\$ 116,324</u>	<u>\$ 584,930</u>	<u>\$ 17,250</u>	<u>\$ 124,401</u>	<u>\$ 842,905</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Contributions	\$ -	\$ -	\$ -	\$ 747,874	\$ 747,874
Capital Assets Included in Accounts Payable	58,000	-	-	-	58,000

See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments	\$ 409,301
Receivables:	
Taxes	<u>954,089</u>
Total Assets	<u>1,363,390</u>

LIABILITIES

Due to Other Governments	409,301
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DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied for Subsequent Year	<u>954,089</u>
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NET POSITION

Restricted for Other Governments	<u><u>\$ -</u></u>
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See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2022**

ADDITIONS

Tax and Special Charges Collections	\$ 1,479,091
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DEDUCTIONS

Payments to Other Taxing Entities	1,479,091
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CHANGE IN NET POSITION

Fiduciary Net Position - Beginning of Year	-
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FIDUCIARY NET POSITION - END OF YEAR

	\$ -
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See accompanying Notes to Basic Financial Statements.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Eagle River, Wisconsin (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. Reporting Entity

The City of Eagle River is a municipal corporation governed by an elected five-member board. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units to be included in the City's financial statements in accordance with standards.

B. Joint Ventures

Solid Waste Facility

The City has entered into an intergovernmental cooperation agreement with several municipalities for the purpose of constructing, operating, and maintaining a solid waste facility. Each member municipality designates two individuals as representatives to the Commission. It is the intent of the Commission to recover operating and debt service costs through user fees; however, any deficit will be proportionately shared by the member municipalities. Each member municipality will also be responsible for its proportionate share of costs incurred at the time of closure above the amount of those resources available in the Closure and Long-Term Care Fund. The City's proportionate share is 7.1%.

Fire Protection

The City has entered into an intergovernmental cooperation agreement with the Towns of Lincoln, Washington, and Cloverland for the purpose of providing fire protection to the area municipalities and within their respective boundaries. Each member municipality designates one individual of its governing body as a representative to the Commission. It is expected that continuing financial contributions will be required from each of the members and will be based on equalized assessed valuation, adjusted annually. The City's current share is approximately 12%. For the fiscal year the City contributed \$46,936 to the Fire District.

Municipal Airport

The City has entered into an intergovernmental cooperation agreement with the Towns of Lincoln and Washington for the purpose of providing airport services to the area municipalities and within their respective boundaries. Each member municipality designates two individual of its governing body as a representative to the Commission. It is expected that continuing financial contributions will be required from each of the members. The City's current share is approximately 33%. For the fiscal year the City contributed \$28,000 to the Airport.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Ventures (Continued)

Invasive Species Control

The City and the Towns of Cloverland, Lincoln, and Washington have created the Unified Lower Eagle River Chain of Lakes Commission pursuant to Wisconsin State Statute 66.0301 to coordinate aquatic invasive species control and eradication on the Lower Eagle River Chain of Lakes. Each participating municipality has an equal ongoing financial responsibility. The Commission annually requires a short-term loan to fund treatment efforts prior to receiving funding reimbursements from the Wisconsin Department of Natural Resources.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Governmental funds include general, special revenue, debt service, and capital projects funds. Proprietary funds include enterprise and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Other Capital Projects Fund

This fund accounts for the resources available to implement the City's capital improvement plans.

Tax Incremental District #2

This fund accounts for the resources available to activities of Tax Incremental District #2.

Tax Incremental District #3

This fund accounts for the resources available to activities of Tax Incremental District #3.

The City reports the following major enterprise funds:

Golf Course

This fund is used to account for the operation and maintenance of the City-owned golf course.

Electric Utility

This fund is used to account for the operation, maintenance, and financing of the construction of the City-owned electric facilities.

Water Utility

This fund is used to account for the operation, maintenance, and financing of the construction of the City-owned water facilities.

Sewer Utility

This fund is used to account for the operation, maintenance, and financing of the construction of the City-owned sewer facilities.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

Additionally, the City reports the following fund types:

Property Tax Collection Custodial Fund

The City accounts for property taxes and special charges collected on behalf of other governments.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in four equal installments on or before January 31, March 31, May 31, and July 31. Real estate taxes not paid by July 31 are purchased by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the School District of Northland Pines, Vilas County, and Nicolet Technical College. Collections and remittances of taxes for other entities are accounted for in the property tax custodial fund.

3. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls.

5. Loans Receivable

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs and has passed the funds to various businesses and individuals in the form of loans. The program was closed in 2020 and with closing the City must now remit amounts received from loan payments to the Wisconsin Department of Administration. The City records a loan receivable and due to other governments for the balance remaining on the loans.

6. Leases

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and the fund financial statements.

Lease receivable represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Leases (Continued)

The City recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

7. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as Due from Other Funds and Due to Other Funds in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

8. Prepaid Supplies

Prepaid supplies are recorded at cost, which approximates market, using the first-in, first-out method. Prepaid supplies consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual supply items are consumed rather than when purchased.

Prepaid supplies of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

9. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	
	Governmental Activities	Business-Type Activities
Land Improvements	10 - 15	10 - 15
Buildings and Improvements	20 - 50	15 - 45
Machinery and Equipment	3 - 15	4 - 32
Infrastructure	25 - 75	25 - 108

11. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may also report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for special assessments and loan receivables. These inflows are recognized as revenues in the government-wide financial statements.

13. Long-Term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

14. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), 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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. Other Postemployment Benefits Other than Pensions (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense (revenue), and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

Restricted Fund Balance – Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.

Assigned Fund Balance – Amounts that are constrained for specific purposes by action of City management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

Unassigned Fund Balance – Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

16. Fund Equity (Continued)

Governmental Fund Financial Statements (Continued)

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Government-Wide and Proprietary Fund Statements

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

Net Investment in Capital Assets – Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.

Restricted Net Position – Amount of net position that is subject to restrictions that are imposed 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.

Unrestricted Net Position – Net position that is neither classified as restricted nor as net investment in capital assets.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 STEWARDSHIP AND COMPLIANCE

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. During October, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

4. The legal level of budgetary control is by activity or department. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council. Management does not have authority to amend activity or department budget accounts.
5. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2022.

B. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2022, as follows:

Funds	Excess Expenditures
General:	
Health and Human Services	\$ 45
Culture and Recreation	62,993
Conservation and Development	81,047

C. Deficit Fund Equity

The following funds had deficit fund balance or net position as of December 31, 2022:

Funds	Deficit Fund Balance
Capital Projects Funds:	
Tax Incremental District No. 2	\$ 1,338,335
Tax Incremental District No. 3	1,095,567

The City anticipates funding the above deficits from future revenues of the funds.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

D. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2022 and 2023 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2022 budget was 0.08%. The actual limit for the City for the 2023 budget was 1.64%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as Cash and Investments.

The City is authorized by Wisconsin Statute 66.0603 to invest in the following instruments:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this state if the time deposits mature in not more than three years.
2. Bonds or securities issues or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
3. Based on securities of any county, city, drainage district, technical college district, village, town or school district of this state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investor Service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. The Local Government Pooled Investment Fund.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

6. Repurchase agreements with public depositories if the agreement is secured by federal bonds or securities.
7. Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to: (a) bonds and securities by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

The carrying amount of the City's cash and investments totaled \$3,917,161 on December 31, 2022, as summarized below:

Petty Cash and Cash on Hand	\$	200
Deposits with Financial Institutions		1,921,659
Investments		1,995,302
Total		\$ 3,917,161

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:

Primary Government:

Cash and Investments	\$	3,275,681
Restricted Cash and Investments		232,179

Fiduciary Fund Statement of Net Position:

Cash and Investments		409,301
Total		\$ 3,917,161

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2022:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
U.S. Treasury Securities	\$ -	\$ 1,995,302	\$ -

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the City's deposits and investments and the related risks.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit policy.

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2022, \$2,066,073 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
U.S. Treasury Securities	\$ -	\$ -	\$ -	\$ -	\$ 1,995,302

Concentration of Credit Risk

At December 31, 2022, the City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Stripped Securities	\$ 1,995,302	\$ 1,995,302	\$ -	\$ -	\$ -

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Restricted Assets

Restricted assets on December 31, 2022, totaled \$232,179 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Business-Type Activities:		
Eagle River Light & Water Commission:		
Restricted Assets:		
Debt Reserve	\$ 107,778	Resources set aside to make up potential future deficiencies in the redemption account
DNR Replacement	<u>124,401</u>	Resources set aside to fund plant renewals and replacement of the treatment facility
Total Restricted Assets	<u>\$ 232,179</u>	

C. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 1,111,646	\$ 40,000	\$ -	\$ 1,151,646
Capital Assets, Depreciable:				
Land Improvements	4,399	-	-	4,399
Buildings and Improvements	1,420,918	-	-	1,420,918
Machinery and Equipment	2,126,533	354,193	43,970	2,436,756
Infrastructure	12,196,924	211,833	-	12,408,757
Subtotals	<u>15,748,774</u>	<u>566,026</u>	<u>43,970</u>	<u>16,270,830</u>
Less Accumulated Depreciation for:				
Land Improvements	3,886	293	-	4,179
Buildings and Improvements	795,171	35,689	-	830,860
Machinery and Equipment	1,827,726	126,671	43,970	1,910,427
Infrastructure	4,645,923	504,159	-	5,150,082
Subtotals	<u>7,272,706</u>	<u>666,812</u>	<u>43,970</u>	<u>7,895,548</u>
Total Capital Assets, Depreciable, Net	<u>8,476,068</u>	<u>(100,786)</u>	<u>-</u>	<u>8,375,282</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,587,714</u>	<u>\$ (60,786)</u>	<u>\$ -</u>	9,526,928
Less: Long-Term Debt Outstanding Related to Capital Assets				3,553,765
Less: Debt Premium				<u>41,280</u>
Net Investment in Capital Assets				<u>\$ 5,931,883</u>

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 429,177	\$ -	\$ -	\$ 429,177
Construction in Progress	1,670,517	2,180,653	320,439	3,530,731
Total Capital Assets, Nondepreciable	2,099,694	2,180,653	320,439	3,959,908
Capital Assets, Depreciable:				
Land Improvements	153,658	-	-	153,658
Buildings	3,198,319	-	-	3,198,319
Machinery and Equipment	8,183,087	340,655	-	8,523,742
Infrastructure	15,778,106	422,307	42,193	16,158,220
Subtotals	27,313,170	762,962	42,193	28,033,939
Less Accumulated Depreciation	15,279,027	958,034	39,793	16,197,268
Total Capital Assets, Depreciable, Net	12,034,143	(195,072)	2,400	11,836,671
Business-Type Activities Capital Assets, Net	\$ 14,133,837	\$ 1,985,581	\$ 322,839	15,796,579
Less: Related Long-Term Debt Outstanding				4,689,968
Less: Capital Related Accounts Payable				113,504
Less: Capital Related Advances				1,939,536
Net Investment in Capital Assets				\$ 9,053,571

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General Government	\$ 22,987
Public Safety	33,808
Public Works	604,135
Culture and Recreation	5,882
Total Depreciation Expense - Governmental Activities	\$ 666,812
Business-Type Activities:	
Golf Course	\$ 121,071
Electric Utility	336,702
Water Utility	182,518
Sewer Utility	317,743
Total Increase in Accumulated Depreciation - Business-Type Activities	\$ 958,034

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Leases Receivable

During the year ended December 31, 2022, the City recognized lease revenue and interest revenue in the business-type activities of \$34,804 and \$7,502, respectively, pursuant to these contracts. A summary of the City's lease terms and interest rates is as follows:

Tower rental lease. Annual installments ranging from \$43,099 to \$70,304 including interest rates at 0.17%, due dates in 2049.

Total future lease payments to be received under lease agreement are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	\$ 20,580	\$ 22,519	\$ 43,099
2024	21,808	22,099	43,907
2025	23,078	21,653	44,731
2026	24,390	21,181	45,571
2027	25,746	20,683	46,429
2028 - 2032	150,663	94,953	245,616
2033 - 2037	191,798	77,978	269,776
2038 - 2042	239,887	56,562	296,449
2043 - 2047	295,938	29,961	325,899
2048 - 2050	136,066	3,216	139,282
Totals	<u>\$ 1,129,954</u>	<u>\$ 370,805</u>	<u>\$ 1,500,759</u>

E. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2022, are detailed below:

	Interfund Receivables	Interfund Payables
General Fund	\$ 251,379	\$ 1,796
Debt Service Fund	66,000	-
Capital Project Funds:		
Capital Projects	938,075	-
Tax Incremental District No. 2	-	938,075
Enterprise Funds:		
Electric Utility	163,399	741,584
Water Utility	106,128	204,520
Sewer Utility	360,994	-
Totals	<u>\$ 1,885,975</u>	<u>\$ 1,885,975</u>

Interfunds are either for short term amounts due from other funds or to eliminate deficit cash balances in funds.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Interfund Receivable, Payables, and Transfers (Continued)

Long Term Advances between individual funds of the City, as reported in the fund financial statements, as of December 31, 2022, are detailed below:

	Interfund Receivables	Interfund Payables
General Fund	\$ 533,373	\$ -
Capital Project Funds:		
Capital Projects	2,920,480	-
Tax Incremental District No. 2	-	354,085
Tax Incremental District No. 3	-	1,037,166
Enterprise Funds:		
Golf Course	-	533,373
Electric Utility	-	980,944
Water Utility	658,202	-
Sewer Utility	733,049	1,939,536
Totals	\$ 4,845,104	\$ 4,845,104

Long Term Advances are for Debt issues that other funds will be paying or funds that will not be paid back within one year.

Interfund transfers for the year ended December 31, 2022, were as follows:

Fund	Transfer In	Transfer Out
General	\$ 236,965	\$ -
Debt Service Fund	912,096	-
Capital Projects	-	747,874
Tax Incremental District No. 2	-	164,222
Enterprise:		
Electric Utility	-	130,776
Water Utility	-	93,689
Sewer Utility	-	12,500
Totals	\$ 1,149,061	\$ 1,149,061

Interfund transfers were made for the following purposes:

Tax Equivalent Payment by Utilities	\$ 236,965
Debt Service:	
Tax Incremental Districts	164,222
Capital Improvements	747,874
Total	\$ 1,149,061

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2022.

	Beginning Balance	Adjustment	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:						
Long Term Debt:						
Bonds	\$ 2,350,000	\$ 184,000	\$ -	\$ 250,000	\$ 2,284,000	\$ 195,000
Note Anticipation Notes	2,200,000	-	-	-	2,200,000	-
Direct Borrowing:						
Note Anticipation Notes	1,576,248	-	1,985,860	1,622,572	1,939,536	1,939,536
State Trust Fund Loans	46,986	-	-	23,144	23,842	23,842
General Obligation Notes	1,044,367	(833)	331,447	129,058	1,245,923	152,279
Total Long Term Debt	7,217,601	183,167	2,317,307	2,024,774	7,693,301	2,310,657
Debt Premium	50,200	-	-	8,920	41,280	-
Compensated Absences	116,830	-	-	7,020	109,810	-
Governmental Activities Long- Term Obligations	<u>\$ 7,384,631</u>	<u>\$ 183,167</u>	<u>\$ 2,317,307</u>	<u>\$ 2,040,714</u>	<u>\$ 7,844,391</u>	<u>\$ 2,310,657</u>
Business-Type Activities:						
General Obligation Debt:						
Notes	\$ 274,415	\$ -	\$ 47,300	\$ 52,638	\$ 269,077	\$ 58,013
Revenue Bonds	4,510,060	-	-	89,169	4,420,891	91,377
Compensated Absences	109,895	-	52,910	35,676	127,129	-
Business-Type Activities Long- Term Obligations	<u>\$ 4,894,370</u>	<u>\$ -</u>	<u>\$ 100,210</u>	<u>\$ 177,483</u>	<u>\$ 4,817,097</u>	<u>\$ 149,390</u>

Total interest paid during the year on long-term debt totaled \$310,189.

State Trust Fund Loan

The City's outstanding notes from direct borrowings related to governmental activities of \$23,842 are subject to a statutory provision that in the event of late or non-payment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Bonds:					
General Obligation Bonds	8/15/13	3/1/33	2.00% - 5.00%	\$ 3,245,000	\$ 150,000
GO Refunding Bonds	12/1/22	3/1/33	1.93%	2,134,000	2,134,000
Direct Borrowing:					
State Trust Fund Loan	5/22/13	3/15/23	2.75%	100,000	11,209
State Trust Fund Loan	10/10/13	3/15/23	3.25%	100,000	12,633
General Obligation Promissory Notes	12/13/14	8/31/24	2.875%	211,000	84,478
General Obligation Promissory Notes	12/18/19	8/31/29	2.99%	181,000	131,048
General Obligation Promissory Notes	4/15/20	2/28/30	2.95%	200,000	154,842
General Obligation Promissory Notes	4/15/20	2/28/30	2.95%	52,000	40,259
General Obligation Promissory Notes	8/21/20	8/21/30	2.30%	300,000	240,000
General Obligation Promissory Notes	10/27/20	8/31/30	2.39%	500,000	407,751
General Obligation Promissory Notes	10/12/21	8/12/31	2.45%	112,000	101,530
GO Promissory Note	2/11/22	2/11/27	2.50%	94,947	86,024
GO Promissory Note	4/1/22	4/1/32	2.60%	111,500	106,586
GO Promissory Note	4/1/22	4/1/27	2.30%	47,300	42,810
GO Promissory Note	5/12/22	5/12/32	2.80%	125,000	119,672
Total Outstanding General Obligation Debt					<u>\$ 3,822,842</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$3,882,842 on December 31, 2022, are detailed below:

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Year Ended December 31,	Governmental Activities			
	Notes from Direct Borrowings		Bonded Debt	
	Principal	Interest	Principal	Interest
2023	\$ 176,121	\$ 31,217	\$ 195,000	\$ 33,455
2024	155,394	27,469	189,000	38,494
2025	158,787	23,338	191,000	34,827
2026	162,230	19,196	199,000	31,063
2027	155,557	14,902	204,000	27,174
2028 - 2032	461,676	20,772	1,074,000	74,942
2033 - 2037	-	-	232,000	2,239
Totals	\$ 1,269,765	\$ 136,894	\$ 2,284,000	\$ 242,194

Year Ended December 31,	Business-Type Activities			
	Bonded Debt		Totals	
	Principal	Interest	Principal	Interest
2023	\$ 58,013	\$ 6,920	\$ 429,134	\$ 71,592
2024	60,030	4,903	404,424	70,866
2025	40,780	3,714	390,567	61,879
2026	26,051	2,848	387,281	53,107
2027	21,823	2,152	381,380	44,228
2028 - 2032	62,380	4,021	1,598,056	99,735
2033 - 2037	-	-	232,000	2,239
Totals	\$ 269,077	\$ 24,558	\$ 3,822,842	\$ 403,646

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Note Anticipation Notes

The note anticipation notes currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Note Anticipation Note	5/1/19	5/1/24	3.00%	\$ 2,200,000	\$ 2,200,000
Direct Borrowing - Note Anticipation Note	4/13/21	4/13/23	1.63%	2,800,000	1,939,536
Total Outstanding General Obligation Debt					<u>\$ 4,139,536</u>

Annual principal and interest maturities of the note anticipation notes of \$4,139,536 on December 31, 2022, are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,939,536	\$ 66,719	\$ 2,006,255
2024	2,200,000	33,000	2,233,000
Totals	\$ 4,139,536	\$ 99,719	\$ 4,239,255

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2022, was \$7,887,938 as follows:

Equalized Valuation of the City	\$ 234,215,600
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, Per Section 67.03 of the Wisconsin Statutes	11,710,780
Total Outstanding General Obligation Debt Applicable to Debt Limitation	3,822,842
Legal Margin for New Debt	\$ 7,887,938

Revenue Bonds

Revenue bonds outstanding on December 31, 2022, totaled \$4,420,891 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Direct Borrowings:					
Water System Revenue Bonds	9/30/08	9/1/48	4.375%	\$ 445,000	\$ 362,279
Water System Revenue Bonds	11/19/08	12/1/48	4.250	138,000	110,413
Water System Revenue Bonds	12/17/13	12/17/53	2.750	292,000	249,893
Water System Revenue Bonds	11/2/16	5/1/56	1.875	428,500	382,800
Water System Revenue Bonds	11/25/19	5/1/59	1.750	843,000	797,300
Water System Revenue Bonds	11/25/19	5/1/59	1.750	72,000	68,100
Sewer System Revenue Bonds	9/30/08	9/1/48	4.375	531,000	432,286
Sewer System Revenue Bonds	11/19/08	12/1/48	4.250	184,000	147,229
Sewer System Revenue Bonds	12/17/13	12/17/53	2.750	401,000	344,591
Sewer System Revenue Bonds	11/2/16	5/1/56	1.375	350,000	308,900
Sewer System Revenue Bonds	11/25/19	5/1/59	1.750	1,287,000	1,217,100
Total Outstanding Revenue Bonds					\$ 4,420,891

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Annual principal and interest maturities of the outstanding revenue bonds of \$4,420,891 on December 31, 2022, are detailed below:

Year Ended December 31,	Business-Type Activities			
	Bonded Debt		Totals	
	Principal	Interest	Principal	Interest
2023	\$ 91,377	\$ 109,115	\$ 91,377	\$ 109,115
2024	93,641	106,785	93,641	106,785
2025	96,061	104,383	96,061	104,383
2026	98,637	101,907	98,637	101,907
2027	101,072	99,354	101,072	99,354
2028 - 2032	546,719	455,612	546,719	455,612
2033 - 2037	623,751	378,646	623,751	378,646
2038 - 2042	713,937	288,457	713,937	288,457
2043 - 2047	819,681	182,435	819,681	182,435
2048 - 2052	603,933	86,308	603,933	86,308
2053 - 2057	481,882	32,787	481,882	32,787
2058 - 2059	150,200	2,641	150,200	2,641
Totals	<u>\$ 4,420,891</u>	<u>\$ 1,948,430</u>	<u>\$ 4,420,891</u>	<u>\$ 1,948,430</u>

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Utility Revenues Pledged

The City has pledged future electric, water, and sewer customer revenues, net of specified operating expenses, to repay the electric, water, and sewer system revenue bonds. Proceeds from the revenue bonds provided financing for the construction or acquisition of capital assets of the City's electric, water, and sewage treatment utilities. Outstanding debt service of revenue bonds, 2022 principal and interest paid, and net customer revenues follows:

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Net Customer Revenues:			
Charges for Services	\$ 3,701,335	\$ 603,008	\$ 580,629
Other Income	29,624	6,484	85,353
Total Operating Revenues	<u>3,730,959</u>	<u>609,492</u>	<u>665,982</u>
Less: Operating Expenses ⁽¹⁾	<u>3,329,931</u>	<u>182,518</u>	<u>317,743</u>
Net Customer Revenues	<u>\$ 401,028</u>	<u>\$ 426,974</u>	<u>\$ 348,239</u>
(1) Excludes Depreciation Expense			
Debt Service:			
Principal	\$ -	\$ 90,000	\$ 110,542
Interest	-	113,050	136,157
Total Debt Service	<u>\$ -</u>	<u>\$ 203,050</u>	<u>\$ 246,699</u>
Remaining Principal and Interest	<u>\$ -</u>	<u>\$ 2,851,568</u>	<u>\$ 3,517,752</u>

G. Short-Term Obligations

Short-term debt activity for the year ended was as follows:

	<u>Outstanding 1/1/22</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/22</u>
Governmental Activities:				
Short-Term Note	<u>\$ 210,000</u>	<u>\$ 160,000</u>	<u>\$ 210,000</u>	<u>\$ 160,000</u>

Total interest paid during the year on short-term debt totaled \$600.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan

1. Plan Description

The Wisconsin Retirement System (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, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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.

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan (Continued)

1. Plan Description (Continued)

The WRS also provides death and disability benefits for employees.

2. Postretirement Adjustments

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

Year	Core Fund Adjustment %	Variable Fund Adjustment %
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	-10.0%
2020	1.7%	21.0%
2021	5.1%	13.0%

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2022, the WRS recognized \$141,540 in contributions from the City.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan (Continued)

3. Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Executives and Elected Officials)	6.50%	6.50%
Protective With Social Security	6.50	12.00
Protective Without Social Security	6.50	16.40

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

At December 31, 2022, the City reported an asset of \$1,009,575 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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, 2021, the City's proportion was 0.01252547%, which was a decrease of 0.00010348% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension revenue of \$87,832.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,630,917	\$ 117,605
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	2,258,504
Changes in Assumptions	188,351	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	985	1,562
Employer Contributions Subsequent to the Measurement Date	141,540	-
Totals	<u>\$ 1,961,793</u>	<u>\$ 2,377,671</u>

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan (Continued)

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

\$141,540 reported as deferred outflows related to pension resulting from the City'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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2023	\$ (47,579)
2024	(273,681)
2025	(120,493)
2026	(115,665)
Total	<u>\$ (557,418)</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 201 to December 31, 2021. Based on these experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

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

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0%	4.3%	1.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%
Real Estate	7.0%	5.6%	3.0%
Private Equity/Debt	12.0%	9.7%	7.0%
Cash	-15.0%	0.9%	N/A
Total Core Fund	100.0%	6.6%	4.1%
Variable Fund Asset Class:			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0%	7.2%	4.6%
Total Variable Fund	100.0%	6.8%	4.2%

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.50%

Asset Allocations are managed within established ranges. Target percentages may differ from actual monthly allocations.

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

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Single Discount Rate – A single discount rate of 6.80% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members 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.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City’s Proportionate Share of the Net Pension Liability (Asset)	\$ 716,365	\$ (1,009,575)	\$ (2,251,932)

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

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plan (Continued)

6. Payables to the Pension Plan

At December 31, 2022, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended December 31, 2022.

I. Other Postemployment Benefits

1. Local Retiree Life Insurance Fund Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

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

3. Benefits Provided

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

4. Contributions

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

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

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

4. Contributions (Continued)

Contribution rates as of December 31, 2022, are:

Coverage Type	Employer Contribution
50% Postretirement Coverage	40% of Member Contribution
25% Postretirement Coverage	20% of Member Contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2021, are listed below:

Life Insurance Member Contribution Rates for the Year Ended December 31, 2021		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

During the reporting period, the LRLIF recognized \$1,104 in contributions from the employer.

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

At December 31, 2022, the City reported a liability of \$254,993 for its proportionate share of the net OPEB liability (asset). The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.04314300%, which was a decrease of 0.00476200% from its proportion measured as of December 31, 2020.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$30,949.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 12,971
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	3,318	-
Changes in Assumptions	77,041	12,360
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	7,238	16,912
Employer Contributions Subsequent to the Measurement Date	1,105	-
Totals	\$ 88,702	\$ 42,243

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2023	\$ 11,752
2024	11,367
2025	9,464
2026	11,625
2027	3,690
Thereafter	(2,544)
Total	\$ 45,354

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

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

Actuarial Assumptions – The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability (Asset):	December 31, 2021
Experience Study;	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20-Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.17%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2021. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from the prior year, including the price inflation, mortality and separation rates. The total OPEB liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 actuarial valuation.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

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

Long-Term Expected Return on Plan Assets – The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers’ general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	45%	1.68%
U.S. Long Credit Bonds	Barclays Long Credit	5%	1.82%
U.S. Mortgages	Barclays MBS	50%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from in the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

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

Single Discount Rate – A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.28% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the City’s Proportionate Share of Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.17%, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)
City’s Proportionate Share of the Net OPEB Liability (Asset)	\$ 345,931	\$ 254,991	\$ 186,563

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

6. Payable to the OPEB Plan

At December 31, 2022, the City reported a payable of \$-0- for the outstanding amount of contribution to the Plan required for the year ended December 31, 2022.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Fund Equity

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2022, nonspendable fund balance was as follows:

General Fund:

Nonspendable:

Inventories and Prepaid Items	\$ 2,027
Noncurrent Portion of Cash Advances	<u>533,373</u>

Other Capital Projects

Noncurrent Portion of Cash Advances	<u>2,920,480</u>
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Total Nonspendable Fund Balance	<u><u>\$ 3,455,880</u></u>
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Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2022, restricted fund balance was as follows:

Debt Service Fund	<u><u>\$ 771,922</u></u>
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Assigned Fund Balance

In the fund financial statements, portions of governmental fund balances are assigned by the District. At December 31, 2022, assigned fund balance was as follows:

Capital Projects Funds:

Capital Improvements	<u><u>\$ 1,098,276</u></u>
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**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 OTHER INFORMATION

A. Tax Incremental Financing Districts

The City currently maintains capital project funds to account for Tax Incremental Districts No. 2 and No. 3 (the Districts) created in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The Statues allow eligible project costs to be incurred up to five years prior to the maximum termination date. The Districts remain eligible to incur project costs

Since creation of the above Districts, the City has provided various financing sources to each TID. The foregoing amounts are not recorded as liabilities in the District but can be recovered by the City from future excess tax increment revenues. Detail of the amounts recoverable by the City as of December 31, 2022, from future excess tax increment revenues and maximum life follows:

	<u>TID No.2</u>	<u>TID No. 3</u>
Recoverable Costs	\$ 2,194,658	\$ 3,034,360
Creation Date	9/1/2007	9/1/2007
Maximum Life	9/1/2047	9/1/2047

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the government carries commercial issuance. The City completes an annual review of its insurance coverage to ensure adequate coverage. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent year.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. WPPI Energy Contract

The Utilities purchase its electric requirements from WPPI Energy (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.073 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical, and reliable supply of electric energy to its members.

The Utilities are one of 51 members of WPPI located throughout the States of Wisconsin, Michigan, and Iowa. On December 31, 1989, each of WPPI's members, including the City of Eagle River, commenced purchasing electric services from WPPI under a new Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements to the members for an initial 35-year term. The contract was amended during 2015 to extend the term of the contract through 2055.

Under the Long-term Contract, the Commission and other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirements which include power supply costs, administrative expenses, and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. The Commission have agreed to charge rates to retail ratepayers of its electric system sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the Utilities' electric system payable from any operating and maintenance fund established by the Commission.

The Long-term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial 35-year term, or at any time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

The electric operation purchases power through WPPI Energy for distribution to its customers. Total purchases under this arrangement amounted to approximately \$2.7 million in 2022.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Restatements – Prior Period Adjustments

Golf Course Fund

The City recorded a prior period adjustment of \$56,000 in the business-type activities to correct net position for capitalization of new irrigation system that was expensed in the previous year. The net position restatement for business-type activities and the Golf Course Fund are as follows:

	Business-Type Activities	Golf Course
Net Position, as Previously Reported at December 31, 2021	\$ 9,468,379	\$ 8,188
Prior Period Adjustment	56,000	56,000
Net Position, as Restated at December 31, 2021	<u>\$ 9,524,379</u>	<u>\$ 64,188</u>

General Fund

The City recorded a prior period adjustment of \$81,338 to decrease fund balance to correct cash balances and taxes receivable related to tax collections received in December of 2021 related to 2022 revenue.

The City recorded a prior period adjustment of \$43,537 to increase fund balance to eliminate a liability for amounts due to other governments related to CDBG loans receivable that didn't exist.

Governmental Activities

The City recorded a prior period adjustment of \$183,167 in the government-type activities to debt that was not recorded in the previous year.

The net position restatement for governmental activities and the General Fund are as follows:

	Governmental Activities	General Fund
Net Position, as Previously Reported at December 31, 2021	\$ 5,332,397	\$ 2,223,316
Prior Period Adjustment for Cash and Taxes	(81,335)	(81,335)
Prior Period Adjustment for CDBG Loans	43,537	43,537
Prior Period Adjustment for Debt Balances	(183,167)	-
Total Prior Period Adjustments	<u>(220,965)</u>	<u>(37,798)</u>
Net Position, as Restated at December 31, 2021	<u>\$ 5,111,432</u>	<u>\$ 2,185,518</u>

E. Subsequent Event

On January 10, 2022, the City approved to finance through Peoples Bank in the amount of \$58,000 for the purpose of purchasing a John Deere mower.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
(LAST 10 MEASUREMENT PERIODS)

Measurement Period	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.01175800%	\$ (288,739)	\$ 1,457,560	19.81%	102.74%
12/31/15	0.01150500%	186,974	1,463,251	12.78%	98.20%
12/31/16	0.01150842%	94,855	1,536,020	6.18%	99.12%
12/31/17	0.01184729%	(351,760)	1,640,547	21.44%	102.93%
12/31/18	0.01226045%	436,188	1,694,305	25.74%	96.45%
12/31/19	0.01251917%	(403,675)	1,768,537	22.83%	102.96%
12/31/20	0.01262895%	(788,442)	1,805,436	43.67%	105.26%
12/31/21	0.01252547%	(1,009,575)	1,790,076	56.40%	106.02%

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
(LAST 10 FISCAL YEARS)

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 109,105	\$ 109,105	\$ -	\$ 1,463,251	7.46%
12/31/16	112,052	112,052	-	1,536,020	7.29%
12/31/17	111,878	111,878	-	1,640,547	6.82%
12/31/18	129,880	129,880	-	1,694,305	7.67%
12/31/19	131,467	131,467	-	1,768,537	7.43%
12/31/20	144,745	144,745	-	1,805,436	8.02%
12/31/21	140,200	140,200	-	1,756,687	7.98%
12/31/22	141,540	141,540	-	1,811,385	7.81%

See accompanying Notes to Required Supplementary Information.

CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
(LAST 10 MEASUREMENT PERIODS)

Measurement Period	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.04275600%	\$ 142,174	\$ 1,514,267	9.39%	44.81%
12/31/18	0.04648400%	119,944	1,563,887	7.67%	48.69%
12/31/19	0.04660300%	198,445	1,685,972	11.77%	37.58%
12/31/20	0.04790500%	263,512	1,763,078	14.95%	31.36%
12/31/21	0.04314300%	254,993	1,589,000	16.05%	29.57%

SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
(LAST 10 FISCAL YEARS)

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 899	\$ 899	-	\$ 1,563,887	0.06%
12/31/19	925	925	-	1,685,972	0.05%
12/31/20	950	950	-	1,763,078	0.05%
12/31/21	872	872	-	1,811,158	0.05%
12/31/22	1,104	1,104	-	1,811,385	0.06%

See accompanying Notes to Required Supplementary Information.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

Changes of Benefit Terms: There were no changes in benefit terms for any participating employer in the WRS.

Changes of Assumptions:

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

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

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

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

The City is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

**CITY OF EAGLE RIVER, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS

Benefit Terms: There were no changes of benefit terms.

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

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

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

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

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

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 10 fiscal years are presented.

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' 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**

City Council
City of Eagle River, 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, each major fund, and the aggregate remaining fund information of the City of Eagle River, Wisconsin (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 17, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 to be significant deficiencies.

Report on Compliance and Other Matters


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

City of Eagle River, Wisconsin’s Response to Finding

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 17, 2023

FEDERAL AND STATE AWARDS



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Eagle River, Wisconsin

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Eagle River, Wisconsin, Wisconsin's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Eagle River, Wisconsin's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 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 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 17, 2023

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

Grantor Agency/Federal Program Title	Federal Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 1/1/22	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/22	Total Expenditures	Subrecipient Payment
U.S. DEPARTMENT OF AGRICULTURE								
<i>Water and Waste Program</i>								
Water and Waste Disposal Systems for Rural Communities	10.760	Direct Program	Not Available	\$ -	\$ 1,237,986	\$ -	\$ 1,237,986	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grant	14.228	WI Department of Administration	10000-74300	-	747,874	-	747,874	-
U.S. DEPARTMENT OF TREASURY								
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	WI Department of Revenue	46500-34200	46,862	83,316	-	130,178	-
Total Federal Awards				<u>\$ 46,862</u>	<u>\$ 2,069,176</u>	<u>\$ -</u>	<u>\$ 2,116,038</u>	<u>\$ -</u>

See accompanying Notes to Schedules of Expenditures of Federal Awards.

CITY OF EAGLE RIVER, WISCONSIN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards for the City are presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The schedule of expenditures of federal awards include all federal awards of the City. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedule is presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the City's 2022 fund financial statements. 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. Accrued revenue at year-end consists of federal program expenditures scheduled for reimbursement to the City in the succeeding year while unearned revenue represents advances for federal programs that exceed recorded City expenditures. Because of the subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The City has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3 OVERSIGHT AGENCIES

The federal oversight agencies for the City are as follows:

U.S. Department of Agriculture

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section I – Summary of the Auditors' Results

Basic Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified? X yes no
3. Noncompliance material to basic financial statements noted? yes X no

Federal Awards

1. Internal control over federal programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes no
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200516(a)? X yes no

Identification of Major Federal Programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant
10.760	Water and Waste Disposal Systems for Rural Communities

- Audit threshold used to determine between Type A and B Programs: \$750,000
- Auditee qualified as low-risk audit? yes X no

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

2022-001

**Preparation of Annual Financial Report
Repeat of Finding 2021-002**

Type of Finding

Significant Deficiency in Internal Control over Financial Reporting

Condition

Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Schedule of Expenditures of Federal Awards. However, as independent auditors, CliftonLarsonAllen LLP (CLA) cannot be considered part of the City's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.

Criteria or Specific Requirement

The preparation and review of the annual financial report and Schedule of Expenditures of Federal Awards by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause

The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have designated an individual with suitable skill, knowledge, or experience to oversee their preparation and have reviewed, approved and accepted responsibility for the annual financial statements and the related footnotes.

Effect

Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend the City continue reviewing the annual financial report. Such review procedure should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the City's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report and Schedule of Expenditures of Federal Awards.

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings (Continued)

2022-001 (Continued)

Preparation of Annual Financial Report

Views of Responsible Officials

There is no disagreement with the audit finding. Refer to the management response per the corrective action plan.

2022-002

**Segregation of Duties
Repeat of Finding 2021-004**

Type of Finding

Significant Deficiency in Internal Control over Financial Reporting

Condition

Management is responsible for the design, installation and maintenance of an appropriate system of internal control. Proper segregation of duties is an important aspect of any control system.

The City has a limited number of employees to essentially complete all financial and recordkeeping duties of the City. Accordingly, this does not allow for ideal segregation of duties for internal control purposes.

Criteria or Specific Requirement

Segregation of duties is an aspect of internal control intended to prevent or decrease opportunities of intentional and unintentional errors and fraud. Duties and responsibilities are properly segregated if no single individual either has control over all phases of a transaction or has the ability to both make and conceal an error, whether such error is intentional or unintentional.

Cause

The lack of segregation of duties is due to the limited number of employees and the size of the City's operations.

Effect

Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation

We recommend the City Council continue to monitor the transactions, bank reconciliations and financial records of the City. We also recommend the City perform a risk assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud.

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings (Continued)

2022-002 (Continued)

Segregation of Duties

Views of Responsible Officials

There is no disagreement with the audit finding. Refer to the management response per the corrective action plan.

2022-003

**Adjustments to the City's Financial Records
Repeat of Finding 2021-004**

Type of Finding

Material Weakness in Internal Control over Financial Reporting

Condition

As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements.

Criteria or Specific Requirement

Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.

Cause

While City staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.

Effect

Year-end financial records prepared by the City may contain material misstatements.

Recommendation

We recommend the City designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.

Views of Responsible Officials

There is no disagreement with the audit finding. Refer to the management response per the corrective action plan.

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Findings and Questioned Costs – Federal Award Programs

2022-004

Uniform Grant Guidance Implementation

Federal Agency: All
Federal Program Name: All
Assistance Listing Number: All
Pass-Through Agency: All
Pass-Through Numbers: All
Award Period: 01/01/2022 – 12/31/2022

Type of Finding

Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement

Uniform Guidance requires the City to maintain certain policies related to cash management, cost allowability, procurement, and conflict of interest provisions, along with appropriate financial management systems and internal controls over federal awards to safeguard federal funds.

Condition

The City has various policies and procedures in place to safeguard its assets and establish related controls over receipts, disbursements, payroll transactions and general ledger maintenance. Federal awards received and disbursed by the City are managed through these city-wide policies and procedures; however, the policies and procedures have not been evaluated to ensure compliance with the requirements of Uniform Guidance. As an example, the City is required to have an allowable cost policy which establishes the responsible officials who are able to determine if a cost is allowable. While expenditures tested had documentation of approval, implementing a formal policy in accordance with Uniform Guidance would improve transparency and effectiveness of the City's documentation.

Questioned Costs

None.

Context

While performing audit procedures, it was noted the City does not have policies in place that conform to Uniform Grant Guidance requirements.

Cause

The City has not finalized an assessment of its financial management system and related internal controls over federal awards, along with an evaluation of existing policies for compliance with Uniform Guidance by year-end.

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Findings and Questioned Costs – Federal Award Programs (Continued)

2022-004 (Continued)

Uniform Grant Guidance Implementation

Effect

They City could become noncompliant with requirements of Uniform Guidance, resulting in future findings and questioned cost related to federal awards administered by the City. The City's 2022 audit in accordance with the requirements of Uniform Guidance did not identify any instances of noncompliance with respect to direct and material compliance requirements of its major federal award programs.

Recommendation

We recommend the City finalized the assessment of its financial management system and related internal controls over federal awards during the 2023 fiscal year. This assessment should include an evaluation of existing policies and procedures to determine where additional enhancements should be made or new policies created, a plan to communicate these policies to City employees, and procedures to periodically review and update, as considered necessary.

Views of Responsible Officials


There is no disagreement with the audit finding. Refer to the management response per the corrective action plan.

**CITY OF EAGLE RIVER, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section IV – Other Issues

- | | |
|---|-----|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Was a management letter or other document conveying audit comments issued as a result of this audit? | Yes |

3. Name and signature of partner



Scott Sternhagen, CPA

4. Date of report

November 17, 2023



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