

City of Black River Falls

Financial Statements and
Supplementary Information

December 31, 2022

City of Black River Falls

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Independent Auditors' Report

To the City Council of
City of Black River Falls

Report on the Audit of 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 discretely presented component unit and remaining fund information of the City of Black River Falls, 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 accompanying 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 discretely presented component unit and remaining fund information of the City as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 (*Government Auditing Standards*). 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 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.

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 required supplementary information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 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.

Baker Tilly US, LLP

Eau Claire, Wisconsin
May 31, 2023

City of Black River Falls

Statement of Net Position
December 31, 2022

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> | <u>Component Unit Business Improvement District</u> |
|--|------------------------------------|--|-------------------|---|
| Assets and Deferred Outflows of Resources | | | | |
| Assets | | | | |
| Cash and investments | \$ 6,768,668 | \$ 4,653,799 | \$ 11,422,467 | \$ - |
| Receivables (net): | | | | |
| Taxes | 2,821,328 | - | 2,821,328 | 26,968 |
| Accounts | 145,235 | 1,204,746 | 1,349,981 | - |
| Special assessments | 11,068 | - | 11,068 | - |
| Notes | 679,896 | - | 679,896 | - |
| Accrued interest | - | 4,541 | 4,541 | - |
| Other | - | 16,082 | 16,082 | - |
| Due from other governments | 80,340 | - | 80,340 | - |
| Internal balances | 1,179,503 | (1,179,503) | - | - |
| Prepaid items and inventories | 615,774 | 286,859 | 902,633 | - |
| Other assets | 506,214 | - | 506,214 | - |
| Restricted assets: | | | | |
| Restricted cash | - | 1,659,670 | 1,659,670 | - |
| Net pension asset | 672,133 | 880,157 | 1,552,290 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Construction in progress | 1,786,277 | 77,896 | 1,864,173 | - |
| Land and land improvements | 5,960,644 | 284,867 | 6,245,511 | - |
| Other capital assets, net of depreciation | 15,614,486 | 25,651,406 | 41,265,892 | - |
| Total assets | <u>36,841,566</u> | <u>33,540,520</u> | <u>70,382,086</u> | <u>26,968</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | - | 66,473 | 66,473 | - |
| Pension related amounts | 1,373,781 | 1,655,443 | 3,029,224 | - |
| Total deferred outflows of resources | <u>1,373,781</u> | <u>1,721,916</u> | <u>3,095,697</u> | <u>-</u> |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | |
| Liabilities | | | | |
| Accounts payable | 193,029 | 457,080 | 650,109 | - |
| Accrued liabilities and deposits | 99,497 | 127,596 | 227,093 | - |
| Other deferred credits | - | 16,631 | 16,631 | - |
| Unearned revenues | 752,709 | 92,180 | 844,889 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 669,075 | 944,360 | 1,613,435 | - |
| Due in more than one year | 4,487,573 | 11,812,850 | 16,300,423 | - |
| Total liabilities | <u>6,201,883</u> | <u>13,450,697</u> | <u>19,652,580</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | 2,808,855 | - | 2,808,855 | 26,968 |
| Pension related amounts | 1,687,340 | 1,973,385 | 3,660,725 | - |
| Total deferred inflows of resources | <u>4,496,195</u> | <u>1,973,385</u> | <u>6,469,580</u> | <u>26,968</u> |

See notes to financial statements

City of Black River Falls

Statement of Net Position
December 31, 2022

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> | <u>Component Unit Business Improvement District</u> |
|------------------------------------|------------------------------------|--|----------------------|---|
| Net Position | | | | |
| Net investment in capital assets | \$ 19,557,463 | \$ 14,139,929 | \$ 33,697,392 | \$ - |
| Restricted for: | | | | |
| Future fair park projects | 161,015 | - | 161,015 | - |
| Future library costs | 117,848 | - | 117,848 | - |
| Future TIF project costs | 2,264,877 | - | 2,264,877 | - |
| Pensions | 672,133 | 880,157 | 1,552,290 | - |
| Future housing loans | 818,324 | - | 818,324 | - |
| Future affordable housing projects | 114,070 | - | 114,070 | - |
| Future playground projects | 50,065 | - | 50,065 | - |
| Debt and equipment replacement | - | 1,074,500 | 1,074,500 | - |
| Unrestricted | <u>3,761,474</u> | <u>3,743,768</u> | <u>7,505,242</u> | <u>-</u> |
| Total net position | <u>\$ 27,517,269</u> | <u>\$ 19,838,354</u> | <u>\$ 47,355,623</u> | <u>\$ -</u> |

See notes to financial statements

City of Black River Falls

Statement of Activities

Year Ended December 31, 2022

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | |
|-----------------------------------|-------------------------|-----------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General government | \$ 634,309 | \$ 88,664 | \$ 128,151 | \$ - |
| Public safety | 964,903 | 15,554 | 93,769 | - |
| Public works | 1,880,260 | 16,637 | 586,759 | 9,599 |
| Health and human services | 10,170 | - | - | - |
| Culture, education and recreation | 1,357,886 | 119,725 | 333,167 | 82,603 |
| Conservation and development | 296,323 | - | - | - |
| Interest and fiscal charges | 106,546 | - | - | - |
| Total governmental activities | <u>5,250,397</u> | <u>240,580</u> | <u>1,141,846</u> | <u>92,202</u> |
| Business-type activities: | | | | |
| Electric Utility | 6,843,127 | 7,474,975 | - | 59,229 |
| Water Utility | 820,658 | 1,051,645 | - | 4,248 |
| Sewer Utility | 945,495 | 950,339 | - | 2,249 |
| Ambulance | 823,011 | 759,195 | 1,456 | - |
| Total business-type activities | <u>9,432,291</u> | <u>10,236,154</u> | <u>1,456</u> | <u>65,726</u> |
| Total primary government | <u>\$ 14,682,688</u> | <u>\$ 10,476,734</u> | <u>\$ 1,143,302</u> | <u>\$ 157,928</u> |
| Component Unit | | | | |
| Business Improvement District | <u>\$ 34,468</u> | <u>\$ -</u> | <u>\$ 7,500</u> | <u>\$ -</u> |

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for BID

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Property taxes, levied for capital assets

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total general revenues

Transfers

Change in net position

Net Position, Beginning

Net Position, Ending

See notes to financial statements

| Net (Expenses) Revenues and Changes in Net Position | | | |
|--|---------------------------------|----------------------|--------------------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | Business Improvement District |
| \$ (417,494) | \$ - | \$ (417,494) | \$ - |
| (855,580) | - | (855,580) | - |
| (1,267,265) | - | (1,267,265) | - |
| (10,170) | - | (10,170) | - |
| (822,391) | - | (822,391) | - |
| (296,323) | - | (296,323) | - |
| (106,546) | - | (106,546) | - |
| <u>(3,775,769)</u> | <u>-</u> | <u>(3,775,769)</u> | <u>-</u> |
| - | 691,077 | 691,077 | - |
| - | 235,235 | 235,235 | - |
| - | 7,093 | 7,093 | - |
| - | (62,360) | (62,360) | - |
| <u>-</u> | <u>871,045</u> | <u>871,045</u> | <u>-</u> |
| <u>(3,775,769)</u> | <u>871,045</u> | <u>(2,904,724)</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(26,968)</u> |
| 1,145,430 | - | 1,145,430 | - |
| - | - | - | 26,968 |
| 430,000 | - | 430,000 | - |
| 553,894 | - | 553,894 | - |
| 562,336 | - | 562,336 | - |
| 103,775 | - | 103,775 | - |
| 858,185 | - | 858,185 | - |
| (1,294) | 7,668 | 6,374 | - |
| 98,440 | 18,052 | 116,492 | 1,619 |
| <u>3,750,766</u> | <u>25,720</u> | <u>3,776,486</u> | <u>28,587</u> |
| <u>606,985</u> | <u>(606,985)</u> | <u>-</u> | <u>-</u> |
| 581,982 | 289,780 | 871,762 | 1,619 |
| <u>26,935,287</u> | <u>19,548,574</u> | <u>46,483,861</u> | <u>(1,619)</u> |
| <u>\$ 27,517,269</u> | <u>\$ 19,838,354</u> | <u>\$ 47,355,623</u> | <u>\$ -</u> |

See notes to financial statements

City of Black River Falls

Balance Sheet
 Governmental Funds
 December 31, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>General Capital Projects Fund</u> | <u>TIF #3 Capital Projects Fund</u> |
|---|---------------------|--------------------------|--------------------------------------|-------------------------------------|
| Assets | | | | |
| Cash and investments | \$ 3,895,674 | \$ 20,995 | \$ - | \$ 1,113,032 |
| Receivables (net): | | | | |
| Taxes | 1,225,272 | 470,000 | 535,000 | 348,275 |
| Accounts | 145,235 | - | - | - |
| Special assessments | - | - | 11,068 | - |
| Loans | 75,536 | - | - | - |
| Due from other governments | 39,784 | - | 40,556 | - |
| Due from other funds | 1,460,815 | - | - | - |
| Prepaid items | 4,081 | - | 486,693 | - |
| Other assets | - | - | 506,214 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 6,846,397</u> | <u>\$ 490,995</u> | <u>\$ 1,579,531</u> | <u>\$ 1,461,307</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 97,071 | \$ - | \$ 17,950 | \$ - |
| Accrued liabilities | 28,840 | - | - | - |
| Due to other funds | - | - | 177,233 | - |
| Unearned revenues | 10,000 | - | 486,694 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>135,911</u> | <u>-</u> | <u>681,877</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | 1,212,799 | 470,000 | 535,000 | 348,275 |
| Unavailable revenues | 75,536 | - | 557,838 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | <u>1,288,335</u> | <u>470,000</u> | <u>1,092,838</u> | <u>348,275</u> |
| Fund Balances | | | | |
| Nonspendable | 44,380 | - | - | - |
| Restricted | 278,863 | - | - | 1,113,032 |
| Assigned | 2,493,966 | 20,995 | - | - |
| Unassigned (deficit) | 2,604,942 | - | (195,184) | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>5,422,151</u> | <u>20,995</u> | <u>(195,184)</u> | <u>1,113,032</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 6,846,397</u> | <u>\$ 490,995</u> | <u>\$ 1,579,531</u> | <u>\$ 1,461,307</u> |

See notes to financial statements

| TIF #8 Capital Projects Fund | Nonmajor Governmental Funds | Total |
|---|--|----------------------|
| \$ 1,122,122 | \$ 616,845 | \$ 6,768,668 |
| 2,290 | 240,491 | 2,821,328 |
| - | - | 145,235 |
| - | - | 11,068 |
| - | 604,360 | 679,896 |
| - | - | 80,340 |
| - | - | 1,460,815 |
| - | 125,000 | 615,774 |
| - | - | 506,214 |
| <u>\$ 1,124,412</u> | <u>\$ 1,586,696</u> | <u>\$ 13,089,338</u> |

| | | |
|---------------|----------------|------------------|
| \$ 78,008 | \$ - | \$ 193,029 |
| - | - | 28,840 |
| - | 104,079 | 281,312 |
| - | 256,015 | 752,709 |
| <u>78,008</u> | <u>360,094</u> | <u>1,255,890</u> |

| | | |
|--------------|----------------|------------------|
| 2,290 | 240,491 | 2,808,855 |
| - | 604,360 | 1,237,734 |
| <u>2,290</u> | <u>844,851</u> | <u>4,046,589</u> |

| | | |
|------------------|----------------|------------------|
| - | - | 44,380 |
| 1,044,114 | 485,830 | 2,921,839 |
| - | - | 2,514,961 |
| - | (104,079) | 2,305,679 |
| <u>1,044,114</u> | <u>381,751</u> | <u>7,786,859</u> |

| | | |
|---------------------|---------------------|----------------------|
| <u>\$ 1,124,412</u> | <u>\$ 1,586,696</u> | <u>\$ 13,089,338</u> |
|---------------------|---------------------|----------------------|

City of Black River Falls

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2022

| | |
|--|-----------------------------|
| Total Fund Balances, Governmental Funds | \$ 7,786,859 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note 3. | 23,361,407 |
| The net pension asset does not relate to current financial resources and is not reported in the governmental funds. | 672,133 |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | 1,373,781 |
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (1,687,340) |
| Special assessments, loans and some other assets are reported as unavailable revenue in the fund financial statements but recognized as revenue when earned in the government-wide financial statements. These types of unavailable revenues at year-end consist of: | |
| Notes receivable | 679,896 |
| Other assets held for sale | 506,214 |
| Special assessments | 51,624 |
| Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Bonds and notes payable | (5,003,448) |
| Vested compensated absences | (109,200) |
| Accrued interest | (70,657) |
| Landfill post closure costs | <u>(44,000)</u> |
| Net Position of Governmental Activities | <u>\$ 27,517,269</u> |

City of Black River Falls

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>General Capital Projects Fund</u> | <u>TIF #3 Capital Projects Fund</u> |
|---|---------------------|------------------------------|--|---|
| Revenues | | | | |
| Taxes | \$ 1,246,831 | \$ 430,000 | \$ 562,336 | \$ 340,046 |
| Intergovernmental | 1,629,530 | - | 9,599 | 9,966 |
| Licenses and permits | 92,645 | - | - | - |
| Fines, forfeitures and penalties | 15,554 | - | - | - |
| Public charges for services | 125,732 | - | - | - |
| Special assessments | 3,230 | - | - | - |
| Investment income | (9,803) | - | - | - |
| Miscellaneous | 362,797 | - | 16,232 | - |
| Total revenues | <u>3,466,516</u> | <u>430,000</u> | <u>588,167</u> | <u>350,012</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 649,019 | - | - | - |
| Public safety | 969,842 | - | - | - |
| Public works | 1,210,842 | - | - | - |
| Health and human services | 10,170 | - | - | - |
| Culture, recreation and education | 986,573 | - | - | - |
| Conservation and development | 115,024 | - | - | 10,150 |
| Capital outlay | 32,163 | - | 763,762 | - |
| Debt service: | | | | |
| Principal retirement | - | 566,294 | - | 234,000 |
| Interest and fiscal charges | - | 8,706 | - | 34,137 |
| Total expenditures | <u>3,973,633</u> | <u>575,000</u> | <u>763,762</u> | <u>278,287</u> |
| Excess (deficiency) of revenues over expenditures | <u>(507,117)</u> | <u>(145,000)</u> | <u>(175,595)</u> | <u>71,725</u> |
| Other Financing Sources (Uses) | | | | |
| Debt issued | - | - | - | - |
| Premium on debt issued | - | - | - | - |
| Transfers in | 631,020 | - | 17,500 | - |
| Transfers out | - | - | (24,035) | - |
| Sale of property and equipment | 17,185 | - | 24,535 | - |
| Total other financing sources (uses) | <u>648,205</u> | <u>-</u> | <u>18,000</u> | <u>-</u> |
| Net change in fund balances | 141,088 | (145,000) | (157,595) | 71,725 |
| Fund Balances (Deficit), Beginning | <u>5,281,063</u> | <u>165,995</u> | <u>(37,589)</u> | <u>1,041,307</u> |
| Fund Balances (Deficit), Ending | <u>\$ 5,422,151</u> | <u>\$ 20,995</u> | <u>\$ (195,184)</u> | <u>\$ 1,113,032</u> |

See notes to financial statements

| TIF #8 Capital Projects Fund | Nonmajor Governmental Funds | Total |
|---|--|---------------------|
| \$ - | \$ 213,848 | \$ 2,793,061 |
| - | 99,198 | 1,748,293 |
| - | - | 92,645 |
| - | - | 15,554 |
| - | - | 125,732 |
| - | - | 3,230 |
| 6,736 | 1,773 | (1,294) |
| - | 120,219 | 499,248 |
| <u>6,736</u> | <u>435,038</u> | <u>5,276,469</u> |
| - | - | 649,019 |
| - | - | 969,842 |
| - | - | 1,210,842 |
| - | - | 10,170 |
| - | - | 986,573 |
| 1,734,446 | 286,157 | 2,145,777 |
| - | - | 795,925 |
| - | 115,541 | 915,835 |
| 98,836 | 7,690 | 149,369 |
| <u>1,833,282</u> | <u>409,388</u> | <u>7,833,352</u> |
| <u>(1,826,546)</u> | <u>25,650</u> | <u>(2,556,883)</u> |
| 2,860,000 | - | 2,860,000 |
| 74,769 | - | 74,769 |
| - | - | 648,520 |
| - | (17,500) | (41,535) |
| - | - | 41,720 |
| <u>2,934,769</u> | <u>(17,500)</u> | <u>3,583,474</u> |
| 1,108,223 | 8,150 | 1,026,591 |
| <u>(64,109)</u> | <u>373,601</u> | <u>6,760,268</u> |
| <u>\$ 1,044,114</u> | <u>\$ 381,751</u> | <u>\$ 7,786,859</u> |

See notes to financial statements

City of Black River Falls

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2022

Net Change in Fund Balances, Total Governmental Funds \$ 1,026,591

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

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

| | |
|---|-------------|
| Capital outlay is capitalized in the government-wide statements | 795,925 |
| Some capital outlay is not capitalized in the government-wide statements | (42,104) |
| Some functional expenditures were capitalized in the government-wide statements | 1,820,836 |
| Depreciation is reported in the government-wide statements | (1,123,200) |

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

| | |
|------------------------------|----------|
| Other assets held for resale | (15,340) |
|------------------------------|----------|

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

| | |
|------------------|-------------|
| Debt issued | (2,860,000) |
| Principal repaid | 915,835 |

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | |
|--|----------|
| Change in accrued interest payable | (31,946) |
| Change in landfill post closure liability | 4,000 |
| Change in vested compensated absences liability | 9,940 |
| Change in net pension asset and related pension deferred outflows/inflows of resources | 134,724 |

Governmental funds report repayments of loans and notes receivable as revenue and the issuance of new loans and notes receivable as expenditures. However, in the statement of net position, these amounts increase or decrease loans and notes receivable.

| | |
|---|----------|
| New loans and other receivables recognized as expenditures on fund statements | 63,580 |
| Repayment of principal on loans, notes and other receivables recognized as revenue on fund statements | (95,169) |
| Write off of loans determined to be uncollectible | (21,690) |

Change in Net Position of Governmental Activities \$ 581,982

City of Black River Falls

Statement of Net Position
 Proprietary Funds
 December 31, 2022

| | Business-Type Activities - Enterprise Funds | | | | Total |
|---|---|------------------|------------------|------------------|-------------------|
| | Electric Utility | Water Utility | Sewer Utility | Ambulance | |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 1,311,800 | \$ 1,124,080 | \$ 92,750 | \$ 2,125,169 | \$ 4,653,799 |
| Receivables (net): | | | | | |
| Accounts | 698,779 | 97,430 | 129,828 | 278,709 | 1,204,746 |
| Interest | 3,442 | 1,099 | - | - | 4,541 |
| Other | 11,478 | 4,604 | - | - | 16,082 |
| Prepays items and inventories | 243,604 | 43,255 | - | - | 286,859 |
| Restricted assets: | | | | | |
| Redemption account | 184,739 | 119,034 | 148,518 | - | 452,291 |
| Total current assets | 2,453,842 | 1,389,502 | 371,096 | 2,403,878 | 6,618,318 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Reserve account | 809,403 | - | - | - | 809,403 |
| Replacement account | - | 8,508 | 389,468 | - | 397,976 |
| Net pension asset | 401,811 | 137,465 | 68,806 | 272,075 | 880,157 |
| Capital assets: | | | | | |
| Construction in progress | 77,896 | - | - | - | 77,896 |
| Plant in service | 25,114,462 | 12,398,603 | 6,263,205 | 1,186,078 | 44,962,348 |
| Less accumulated depreciation | (10,205,234) | (4,739,577) | (3,299,183) | (782,081) | (19,026,075) |
| Total noncurrent assets | 16,198,338 | 7,804,999 | 3,422,296 | 676,072 | 28,101,705 |
| Total assets | 18,652,180 | 9,194,501 | 3,793,392 | 3,079,950 | 34,720,023 |
| Deferred Outflows of Resources | | | | | |
| Deferred charge on refunding | 51,095 | 15,378 | - | - | 66,473 |
| Pension related amounts | 818,175 | 243,685 | 165,168 | 428,415 | 1,655,443 |
| Total deferred outflows of resources | 869,270 | 259,063 | 165,168 | 428,415 | 1,721,916 |

See notes to financial statements

City of Black River Falls

Statement of Net Position
 Proprietary Funds
 December 31, 2022

| | Business-Type Activities - Enterprise Funds | | | | Total |
|---|---|---------------------|---------------------|---------------------|----------------------|
| | Electric Utility | Water Utility | Sewer Utility | Ambulance | |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 444,895 | \$ - | \$ - | \$ 12,185 | \$ 457,080 |
| Deposits | 35,573 | - | - | - | 35,573 |
| Other deferred credits | 16,631 | - | - | - | 16,631 |
| Due to other funds | 352,594 | 180,832 | 59,263 | 586,814 | 1,179,503 |
| Accrued payroll | 44,407 | 8,154 | 9,255 | - | 61,816 |
| Accrued interest | 324 | 633 | - | - | 957 |
| Unearned revenues | - | - | - | 92,180 | 92,180 |
| Current portion of general obligation debt | 15,540 | 128,313 | - | - | 143,853 |
| Current portion of revenue bonds | 28,000 | - | - | - | 28,000 |
| Current portion of vested compensated absences | - | - | - | 31,793 | 31,793 |
| Current liabilities payable from restricted assets: | | | | | |
| Current portion of revenue bonds | 492,577 | 85,004 | 163,133 | - | 740,714 |
| Accrued interest | 24,744 | 2,333 | 2,173 | - | 29,250 |
| Total current liabilities | 1,455,285 | 405,269 | 233,824 | 722,972 | 2,817,350 |
| Noncurrent liabilities: | | | | | |
| Long-term debt: | | | | | |
| General obligation debt | - | 100,000 | - | - | 100,000 |
| Unamortized debt premium | 108,326 | - | - | - | 108,326 |
| Customer advances for construction | 92,033 | - | - | - | 92,033 |
| Revenue bonds | 8,800,703 | 1,507,653 | 1,068,591 | - | 11,376,947 |
| Vested compensated absences | 64,578 | 31,378 | 28,990 | 10,598 | 135,544 |
| Total noncurrent liabilities | 9,065,640 | 1,639,031 | 1,097,581 | 10,598 | 11,812,850 |
| Total liabilities | 10,520,925 | 2,044,300 | 1,331,405 | 733,570 | 14,630,200 |
| Deferred Inflows of Resources | | | | | |
| Pension related amounts | 1,025,475 | 277,886 | 201,970 | 468,054 | 1,973,385 |
| Total deferred inflows of resources | 1,025,475 | 277,886 | 201,970 | 468,054 | 1,973,385 |
| Net Position | | | | | |
| Net investment in capital assets | 6,121,887 | 5,881,747 | 1,732,298 | 403,997 | 14,139,929 |
| Restricted for: | | | | | |
| Debt and equipment replacement | 413,478 | 125,209 | 535,813 | - | 1,074,500 |
| Pension | 401,811 | 137,465 | 68,806 | 272,075 | 880,157 |
| Unrestricted | 1,037,874 | 986,957 | 88,268 | 1,630,669 | 3,743,768 |
| Total net position | \$ 7,975,050 | \$ 7,131,378 | \$ 2,425,185 | \$ 2,306,741 | \$ 19,838,354 |

See notes to financial statements

City of Black River Falls

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2022

| | Business-Type Activities - Enterprise Funds | | | | |
|--|--|----------------------|----------------------|---------------------|----------------------|
| | Electric Utility | Water Utility | Sewer Utility | Ambulance | Total |
| Operating Revenues | \$ 7,474,975 | \$ 1,051,645 | \$ 950,339 | \$ 760,651 | \$ 10,237,610 |
| Operating Expenses | | | | | |
| Operation and maintenance | 5,868,249 | 509,377 | 706,271 | 747,066 | 7,830,963 |
| Depreciation | 688,687 | 270,045 | 214,204 | 75,945 | 1,248,881 |
| Amortization | 6,000 | - | - | - | 6,000 |
| Total operating expenses | <u>6,562,936</u> | <u>779,422</u> | <u>920,475</u> | <u>823,011</u> | <u>9,085,844</u> |
| Operating income (loss) | <u>912,039</u> | <u>272,223</u> | <u>29,864</u> | <u>(62,360)</u> | <u>1,151,766</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Investment income | 22,180 | 7,727 | 3,093 | (25,332) | 7,668 |
| Interest expense | (307,725) | (33,547) | (25,020) | - | (366,292) |
| IRS Build America Bond interest subsidy | 28,293 | - | - | - | 28,293 |
| Amortization | 4,209 | (7,689) | - | - | (3,480) |
| Miscellaneous revenue | 9,316 | 9 | - | 8,727 | 18,052 |
| Miscellaneous expenses | (4,968) | - | - | - | (4,968) |
| Total nonoperating revenues (expenses) | <u>(248,695)</u> | <u>(33,500)</u> | <u>(21,927)</u> | <u>(16,605)</u> | <u>(320,727)</u> |
| Income (loss) before contributions and transfers | <u>663,344</u> | <u>238,723</u> | <u>7,937</u> | <u>(78,965)</u> | <u>831,039</u> |
| Contributions and Transfers | | | | | |
| Capital contributions | 59,229 | 4,248 | 2,249 | - | 65,726 |
| Transfers out | (363,980) | (183,028) | (59,977) | - | (606,985) |
| Total contributions and transfers | <u>(304,751)</u> | <u>(178,780)</u> | <u>(57,728)</u> | <u>-</u> | <u>(541,259)</u> |
| Change in net position | 358,593 | 59,943 | (49,791) | (78,965) | 289,780 |
| Net Position, Beginning | <u>7,616,457</u> | <u>7,071,435</u> | <u>2,474,976</u> | <u>2,385,706</u> | <u>19,548,574</u> |
| Net Position, Ending | <u>\$ 7,975,050</u> | <u>\$ 7,131,378</u> | <u>\$ 2,425,185</u> | <u>\$ 2,306,741</u> | <u>\$ 19,838,354</u> |

See notes to financial statements

City of Black River Falls

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2022

| | Business-Type Activities - Enterprise Funds | | | | |
|---|---|-------------------|-------------------|---------------------|---------------------|
| | Electric Utility | Water Utility | Sewer Utility | Ambulance | Total |
| Cash Flows From Operating Activities | | | | | |
| Received from customers | \$ 7,495,644 | \$ 1,069,738 | \$ 952,922 | \$ 829,717 | \$ 10,348,021 |
| Cash received from City | 61,297 | - | - | - | 61,297 |
| Paid to suppliers for goods and services | (5,349,122) | (332,076) | (484,005) | (328,555) | (6,493,758) |
| Paid to employees for services | (778,318) | (223,292) | (232,513) | - | (1,234,123) |
| Net cash flows from operating activities | <u>1,429,501</u> | <u>514,370</u> | <u>236,404</u> | <u>501,162</u> | <u>2,681,437</u> |
| Cash Flows From Investing Activities | | | | | |
| Marketable securities sold | 702,452 | 457,130 | 171,113 | 621,834 | 1,952,529 |
| Marketable securities purchased | (708,670) | (461,026) | (172,014) | (589,346) | (1,931,056) |
| Investment income | <u>22,648</u> | <u>7,652</u> | <u>3,093</u> | <u>(25,332)</u> | <u>8,061</u> |
| Net cash flows from investing activities | <u>16,430</u> | <u>3,756</u> | <u>2,192</u> | <u>7,156</u> | <u>29,534</u> |
| Cash Flows From Noncapital Financing Activities | | | | | |
| Paid to municipality for tax equivalent | (353,250) | (180,422) | - | - | (533,672) |
| Transfers in (out) | (4,240) | - | (58,488) | - | (62,728) |
| Negative cash implicitly financed | <u>7,932</u> | <u>-</u> | <u>(7,932)</u> | <u>-</u> | <u>-</u> |
| Net cash flows from noncapital financing activities | <u>(349,558)</u> | <u>(180,422)</u> | <u>(66,420)</u> | <u>-</u> | <u>(596,400)</u> |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Debt retired | (526,940) | (201,208) | (160,057) | - | (888,205) |
| Interest paid | (316,345) | (37,299) | (27,783) | - | (381,427) |
| Capital contributions | 140,041 | 4,248 | 2,249 | - | 146,538 |
| Acquisition and construction of capital assets | (545,349) | (107,505) | (10,008) | - | (662,862) |
| Interest rebate received on bonds | <u>28,342</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,342</u> |
| Net cash flows from capital and related financing activities | <u>(1,220,251)</u> | <u>(341,764)</u> | <u>(195,599)</u> | <u>-</u> | <u>(1,757,614)</u> |
| Net change in cash and cash equivalents | (123,878) | (4,060) | (23,423) | 508,318 | 356,957 |
| Cash and Cash Equivalents, Beginning | <u>1,657,561</u> | <u>696,072</u> | <u>482,145</u> | <u>497,396</u> | <u>3,333,174</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 1,533,683</u> | <u>\$ 692,012</u> | <u>\$ 458,722</u> | <u>\$ 1,005,714</u> | <u>\$ 3,690,131</u> |

See notes to financial statements

City of Black River Falls

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2022

| | Business-Type Activities - Enterprise Funds | | | | |
|--|---|-------------------|-------------------|---------------------|---------------------|
| | Electric Utility | Water Utility | Sewer Utility | Ambulance | Total |
| Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities | | | | | |
| Operating income (loss) | \$ 912,039 | \$ 272,223 | \$ 29,864 | \$ (62,360) | \$ 1,151,766 |
| Nonoperating revenue, net | 4,348 | 9 | - | 8,727 | 13,084 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | | |
| Depreciation and amortization | 694,687 | 270,045 | 214,204 | 75,945 | 1,254,881 |
| Depreciation charged to other accounts | (1,289) | 14,028 | (14,028) | - | (1,289) |
| Changes in assets and liabilities: | | | | | |
| Accounts receivable | 67,471 | 9,400 | 16,673 | 60,339 | 153,883 |
| Other receivables | 20,537 | (4,604) | - | - | 15,933 |
| Prepaid items and inventories | (31,443) | (19,701) | - | - | (51,144) |
| Accounts payable | (176,193) | - | - | 8,839 | (167,354) |
| Due to other funds | (3,394) | (740) | (62) | 429,479 | 425,283 |
| Customer deposits | (6,996) | - | - | - | (6,996) |
| Accrued liabilities | 11,994 | 1,895 | 3,412 | 15,648 | 32,949 |
| Pension related deferrals and asset | (62,260) | (28,185) | (13,659) | (127,635) | (231,739) |
| Other current liabilities | - | - | - | 92,180 | 92,180 |
| Net cash flows from operating activities | <u>\$ 1,429,501</u> | <u>\$ 514,370</u> | <u>\$ 236,404</u> | <u>\$ 501,162</u> | <u>\$ 2,681,437</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds | | | | | |
| Cash and investments | \$ 1,311,800 | \$ 1,124,080 | \$ 92,750 | \$ 2,125,169 | \$ 4,653,799 |
| Restricted cash and investments: | | | | | |
| Redemption account | 184,739 | 119,034 | 148,518 | - | 452,291 |
| Reserve account | 809,403 | - | - | - | 809,403 |
| Replacement account | - | 8,508 | 389,468 | - | 397,976 |
| Total cash and investments | 2,305,942 | 1,251,622 | 630,736 | 2,125,169 | 6,313,469 |
| Less noncash equivalents | <u>(772,259)</u> | <u>(559,610)</u> | <u>(172,014)</u> | <u>(1,119,455)</u> | <u>(2,623,338)</u> |
| Cash and cash equivalents | <u>\$ 1,533,683</u> | <u>\$ 692,012</u> | <u>\$ 458,722</u> | <u>\$ 1,005,714</u> | <u>\$ 3,690,131</u> |
| Noncash Capital and Related Financing Activities | | | | | |
| Capital assets acquired through accounts payable | <u>\$ 27,106</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |

See notes to financial statements

City of Black River Falls

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

| | Custodial Funds |
|---------------------------|----------------------------|
| Assets | |
| Cash and investments | \$ 1,641,090 |
| Taxes receivable | <u>2,272,170</u> |
| Total assets | <u>3,913,260</u> |
| Liabilities | |
| Due to other taxing units | <u>3,913,260</u> |
| Total liabilities | <u>3,913,260</u> |
| Net Position | |
| Total net position | <u><u>\$ -</u></u> |

City of Black River Falls

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2022

| | <u>Custodial Funds</u> |
|--|----------------------------|
| Additions | |
| Property taxes collected for other governments | \$ 2,519,067 |
| License and registration fees collected for other governments | <u>78,366</u> |
| Total additions | <u>2,597,433</u> |
| Deductions | |
| Property taxes distributed to other governments | 2,519,067 |
| License and registration fees distributed to other governments | <u>78,366</u> |
| Total deductions | <u>2,597,433</u> |
| Change in fiduciary net position | - |
| Net Position, Beginning | <u>-</u> |
| Net Position, Ending | <u><u>\$ -</u></u> |

City of Black River Falls

Index to Notes to Financial Statements
December 31, 2022

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City of Black River Falls

Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Unit

Business Improvement District of the City of Black River Falls

The government-wide financial statements include the Business Improvement District of the City of Black River Falls (BID) as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor and approved by the City Council of the City of Black River Falls. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the BID, and also create a potential financial benefit to or burden on the City. See Note 3. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2022. The BID does not issue separate financial statements.

Government-Wide and Fund Financial Statements

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard 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 the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the City's leasing activities. This standard was implemented January 1, 2022. The applicable leases were not material to the financial statements.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

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

The City reports the following major governmental funds:

General Fund

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

Debt Service Funds

Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than TID or enterprise fund debt.

Capital Projects Funds

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

Tax Incremental District (TID) No. 3 Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures outlined in the TID project plan.

Tax Incremental District (TID) No. 8 Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures outlined in the TID project plan.

Enterprise Funds

The City reports the following major enterprise funds:

Electric Utility accounts for operations of the electric system.

Water Utility accounts for operations of the water system.

Sewer Utility accounts for operations of the sewer system.

Ambulance Fund accounts for operations of the accounts for operations of the City's ambulance service.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

Playground Fund
Revolving Housing Fund
Affordable Housing Fund
ARPA Fund

Capital Projects Funds

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

TIF #4
TIF #5
TIF #6
TIF #7
TIF #9

In addition, the City reports the following fund type:

Custodial Funds

Custodial Funds are used to account for and report assets controlled by the City and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Tax Collection Fund
License & Registration Collection Fund

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

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

City of Black River Falls

Notes to Financial Statements
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Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

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

Proprietary and Fiduciary Funds

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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

All Financial Statements

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

City of Black River Falls

Notes to Financial Statements
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Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

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

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

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

The City has adopted an investment policy. That policy follows the state statute for allowable investments, but also considers commercial paper (rated in the highest tier by a nationally recognized rating agency) and securities having any of the three highest rating categories (rated by any rating agency) as allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2022, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note 3 for further information.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Receivables

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

Property tax calendar - 2022 tax roll:

| | |
|---|------------------|
| Lien date and levy date | December 2022 |
| Tax bills mailed | December 2022 |
| Payment in full, or | January 31, 2023 |
| First installment due | January 31, 2023 |
| Second installment due | July 31, 2023 |
| Personal property taxes in full | January 31, 2023 |
| Tax sale, 2022 delinquent real estate taxes | October 2025 |

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the County, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the City's electric, water or sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll and other delinquent bills are generally not significant.

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

The City has received grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$56,763.

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

Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on lower of cost or market utilizing the average cost method and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Restricted Assets

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

Capital Assets

Government-Wide Financial Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets, \$25,000 for infrastructure assets and \$1,000 for utility capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but GASB No. 34 does not require the City to retroactively report all major general infrastructure assets. As of December 31, 2022, the City has not retroactively reported any infrastructure.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor and overhead. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

| | | |
|-------------------------|-------|-------|
| Land Improvements | 15-30 | Years |
| Buildings | 30-50 | Years |
| Machinery and Equipment | 3-20 | Years |
| Infrastructure | 20-50 | Years |
| Utility System | 4-77 | Years |

Fund Financial Statements

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

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Deferred Outflows of Resources

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

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2022, are determined on the basis of current salary rates and include salary related payments.

Long-Term Obligations

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

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

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

Deferred Inflows of Resources

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

Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

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

City of Black River Falls

Notes to Financial Statements
December 31, 2022

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

See Note 3 for further information.

Pension

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

Basis for Existing Rates

Current electric rates were approved by the Public Service Commission of Wisconsin and placed into effect by the utility on January 1, 2021.

Current water rates were approved by the Public Service Commission of Wisconsin and placed into effect by the utility on December 26, 2019.

Current sewer rates were approved by the utility commission and placed into effect on July 1, 2021.

Current ambulance rates became effective as follows:

| <u>Rate</u> | <u>Date Adopted</u> |
|------------------|---------------------|
| BLS Base Rate | January 19, 2022 |
| ALS Base Rate | January 19, 2022 |
| BLS Mileage Rate | January 19, 2022 |
| ALS Mileage Rate | January 19, 2022 |

Other Assets

The balance in the General Capital Projects fund represents the value of land in the Lallapalooza development that the City has listed for sale. The City received the property in a settlement of unpaid special assessments.

Other Deferred Credits

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance (Commitment to Community) programs. The utility is acting as an agent administering the program so net collections and expenditures/remittances associated with the program are recorded as a current liability on the statement of net position.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

2. Stewardship, Compliance and Accountability

Budgetary Information

A budget has been adopted for the general fund, debt service fund and general capital projects fund. A budget has not been formally adopted for any of the City's other funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

Excess Expenditures and Other Financing Uses Over Budget

| <u>Fund</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Excess Expenditures Over Budget</u> |
|--------------|------------------------------|----------------------------|--|
| General Fund | \$ 2,964,275 | \$ 3,062,561 | \$ 98,286 |

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

Deficit Balances

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

As of December 31, 2022, the following individual funds held a deficit balance:

| <u>Fund</u> | <u>Amount</u> | <u>Reason</u> |
|--------------------------|---------------|---|
| General Capital Projects | \$ 195,184 | Expenditures in excess of revenues |
| TIF #5 | 10,752 | Expenditures in excess of tax increment |
| TIF #6 | 66,509 | Expenditures in excess of tax increment |
| TIF #7 | 10,817 | Expenditures in excess of tax increment |
| TIF #9 | 16,001 | Expenditures in excess of tax increment |

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

The General Capital Projects Fund deficit is anticipated to be funded with future property tax levies or transfers from other funds.

Limitations on the City's Tax Levy

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

City of Black River Falls

Notes to Financial Statements
December 31, 2022

3. Detailed Notes on All Funds

Deposits and Investments

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

| | <u>Carrying Value</u> | <u>Bank and Investment Balances</u> | <u>Associated Risks</u> |
|--|---------------------------|---|--|
| Deposits | \$ 11,309,839 | \$ 12,085,583 | Custodial credit |
| US agencies, implicitly guaranteed | 616,185 | 616,185 | Credit, custodial credit, concentration of credit, interest rate |
| US treasuries | 657,466 | 657,466 | Custodial credit, interest rate |
| LGIP | 90,537 | 90,537 | Credit |
| Negotiable certificates of deposit | 917,735 | 917,735 | Credit, custodial credit, concentration of credit, interest rate |
| State and local bonds | 1,131,065 | 1,131,065 | Credit, custodial credit, concentration of credit, interest rate |
| Petty cash | <u>400</u> | <u>-</u> | N/A |
| Total deposits and investments | <u>\$ 14,723,227</u> | <u>\$ 15,498,571</u> | |
| Reconciliation to financial statements | | | |
| Per statement of net position: | | | |
| Unrestricted cash and investments | \$ 11,422,467 | | |
| Restricted cash and investments | 1,659,670 | | |
| Per statement of fiduciary net position: | | | |
| Custodial funds | <u>1,641,090</u> | | |
| Total deposits and investments | <u>\$ 14,723,227</u> | | |

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

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

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

City of Black River Falls

Notes to Financial Statements
December 31, 2022

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be in cash. \$500,000 of the City's investments are covered by SIPC. Additionally, through Lloyds of London, accounts have additional securities coverage of \$150 million per customer, subject to a \$600 million aggregate firm limit.

The City maintains collateral agreements with its banks. At December 31, 2022, the banks had pledged various government securities in the amount of \$8,327,898 to secure the City's deposits and had \$4,395,107 to secure the utilities' deposits.

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

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

- Quoted prices for similar assets in active markets

| Investment Type | December 31, 2022 | | | Total |
|-------------------------------------|-------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| US agencies - implicitly guaranteed | \$ - | \$ 616,185 | \$ - | \$ 616,185 |
| US treasuries | - | 657,466 | - | 657,466 |
| Negotiable certificates of deposit | - | 917,735 | - | 917,735 |
| State and local bonds | - | 1,131,065 | - | 1,131,065 |
| Total | <u>\$ -</u> | <u>\$ 3,322,451</u> | <u>\$ -</u> | <u>\$ 3,322,451</u> |

Custodial Credit Risk

Deposits

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

As of December 31, 2022, \$427,809 of the City's total bank balances were uninsured and uncollateralized.

Investments

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

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

Credit Risk

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

City of Black River Falls

Notes to Financial Statements
December 31, 2022

As of December 31, 2022, the City's investments were rated as follows:

| <u>Investment Type</u> | <u>Standard & Poors</u> | <u>Moody's Investors Services</u> |
|-------------------------------------|-----------------------------|-----------------------------------|
| US agencies - implicitly guaranteed | AA+ | Aaa |
| LGIP | Not rated | Not rated |
| Negotiable certificates of deposit | A+, BBB+, BBB, BBB- | Aa1, Aa3, A1, A3, Baa1 |
| State and local bonds | AAA, AA+, AA | Aaa, Aa1, Aa2, Aa3, A1 |

Some of the City's negotiable certificates of deposit and state and local bonds were not rated.

Concentration of Credit Risk

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

At December 31, 2022, the city's investment portfolio was concentrated as follows:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Percentage of Portfolio</u> |
|---------------------------------|-----------------------------------|--------------------------------|
| Federal Home Loan Mortgage Corp | US agency - implicitly guaranteed | 12.50 % |
| Goldman Sachs Bank USA | Negotiable certificate of deposit | 6.26 |

Interest Rate Risk

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

As of December 31, 2022, the City's investments were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity (In Years)</u> | |
|-------------------------------------|---------------------|----------------------------|---------------------|
| | | <u>Less than 1</u> | <u>1 - 5</u> |
| US agencies - implicitly guaranteed | \$ 616,185 | \$ 568,427 | \$ 47,758 |
| US treasuries | 657,466 | 657,466 | - |
| Negotiable certificates of deposit | 917,735 | 604,346 | 313,389 |
| State and local bonds | 1,131,065 | 251,404 | 879,661 |
| Total | <u>\$ 3,322,451</u> | <u>\$ 2,081,643</u> | <u>\$ 1,240,808</u> |

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

Receivables

All of the receivables on the balance sheet are expected to be collected within one year except for \$51,720 in the General Fund, \$51,624 in the General Capital Projects Fund and \$604,360 in the nonmajor governmental funds.

Revenues of the ambulance fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | |
|--|------------|
| Uncollectibles related to revenues of the current period | \$ 226,692 |
|--|------------|

City of Black River Falls

Notes to Financial Statements
December 31, 2022

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

| | <u>Unearned</u> | <u>Unavailable</u> |
|--|---------------------|---------------------|
| Property taxes receivable for subsequent year | \$ 2,808,855 | \$ - |
| Special assessments, taxes receivable and due from other governments not yet due | - | 51,624 |
| Other assets held for sale | - | 506,214 |
| Loans receivable | - | 679,896 |
| Grant funds received in advance of incurring allowable expenditures | <u>752,709</u> | <u>-</u> |
| Total unearned/unavailable revenue for governmental funds | <u>\$ 3,561,564</u> | <u>\$ 1,237,734</u> |
| Unearned revenue included in liabilities | \$ 752,709 | |
| Unearned revenue included in deferred inflows | <u>2,808,855</u> | |
| Total unearned revenue for governmental funds | <u>\$ 3,561,564</u> | |

Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Equipment Replacement Account

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

Net Pension Asset

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

Following is a list of restricted assets at December 31, 2022:

| | |
|-------------------------|---------------------|
| Restricted assets: | |
| Redemption account | \$ 452,291 |
| Reserve account | 809,403 |
| Replacement account | 397,976 |
| Net pension asset | <u>1,552,290</u> |
| Total restricted assets | <u>\$ 3,211,960</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Capital Assets

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|-------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 5,960,644 | \$ - | \$ - | \$ 5,960,644 |
| Construction in progress | 108,025 | 1,781,781 | 103,529 | 1,786,277 |
| Total capital assets not being depreciated | <u>6,068,669</u> | <u>1,781,781</u> | <u>103,529</u> | <u>7,746,921</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 1,184,507 | 6,180 | - | 1,190,687 |
| Buildings | 11,204,463 | - | - | 11,204,463 |
| Machinery and equipment | 5,338,882 | 394,819 | 100,930 | 5,632,771 |
| Roads | 10,004,986 | 495,406 | - | 10,500,392 |
| Curb and gutter | 280,543 | - | - | 280,543 |
| Storm sewer | 815,688 | - | - | 815,688 |
| Sanitary sewer | 1,110,695 | - | - | 1,110,695 |
| Street lighting | 66,219 | - | - | 66,219 |
| Bridges | 617,988 | - | - | 617,988 |
| Total capital assets being depreciated | <u>30,623,971</u> | <u>896,405</u> | <u>100,930</u> | <u>31,419,446</u> |
| Total capital assets | <u>36,692,640</u> | <u>2,678,186</u> | <u>204,459</u> | <u>39,166,367</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (505,351) | (51,564) | - | (556,915) |
| Buildings | (6,077,889) | (295,702) | - | (6,373,591) |
| Machinery and equipment | (3,884,602) | (253,648) | 100,930 | (4,037,320) |
| Roads | (3,326,500) | (434,713) | - | (3,761,213) |
| Curb and gutter | (71,464) | (9,298) | - | (80,762) |
| Storm sewer | (249,354) | (26,992) | - | (276,346) |
| Sanitary sewer | (528,310) | (36,716) | - | (565,026) |
| Street lighting | (27,980) | (2,207) | - | (30,187) |
| Bridges | (111,240) | (12,360) | - | (123,600) |
| Total accumulated depreciation | <u>(14,782,690)</u> | <u>(1,123,200)</u> | <u>100,930</u> | <u>(15,804,960)</u> |
| Net capital assets being depreciated | <u>15,841,281</u> | <u>(226,795)</u> | <u>-</u> | <u>15,614,486</u> |
| Total governmental activities capital assets, net of accumulated depreciation | <u>\$ 21,909,950</u> | <u>\$ 1,554,986</u> | <u>\$ 103,529</u> | <u>\$ 23,361,407</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| Governmental Activities | |
| General government | \$ 16,080 |
| Public safety | 56,764 |
| Public works | 680,175 |
| Culture, recreation and education | <u>370,181</u> |
| Total governmental activities depreciation expense | <u>\$ 1,123,200</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Business-Type Activities

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|------------------|-------------------|----------------------|
| Electric | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land and land rights | \$ 125,265 | \$ - | \$ 21,920 | \$ 103,345 |
| Construction in progress | 8,594 | 318,040 | 248,738 | 77,896 |
| Total capital assets not being depreciated/amortized | <u>133,859</u> | <u>318,040</u> | <u>270,658</u> | <u>181,241</u> |
| Capital assets being depreciated/amortized: | | | | |
| Intangible | 244,513 | - | - | 244,513 |
| Hydraulic production | 12,905,837 | - | - | 12,905,837 |
| Other production | 198,820 | - | - | 198,820 |
| Transmission | 361,280 | - | - | 361,280 |
| Distribution | 7,758,943 | 386,665 | 70,936 | 8,074,672 |
| Administrative and general assets | 3,185,606 | 43,463 | 3,074 | 3,225,995 |
| Total capital assets being depreciated/amortized | <u>24,654,999</u> | <u>430,128</u> | <u>74,010</u> | <u>25,011,117</u> |
| Total capital assets | <u>24,788,858</u> | <u>748,168</u> | <u>344,668</u> | <u>25,192,358</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Intangible | (142,520) | (6,000) | - | (148,520) |
| Hydraulic production | (3,578,238) | (285,284) | - | (3,863,522) |
| Other production | (198,820) | - | - | (198,820) |
| Transmission | (319,175) | (9,837) | - | (329,012) |
| Distribution | (4,585,544) | (313,794) | 91,922 | (4,807,416) |
| General | (745,360) | (115,658) | 3,074 | (857,944) |
| Total accumulated depreciation/amortization | <u>(9,569,657)</u> | <u>(730,573)</u> | <u>94,996</u> | <u>(10,205,234)</u> |
| Net capital assets being depreciated/amortized | <u>15,085,342</u> | <u>(300,445)</u> | <u>(20,986)</u> | <u>14,805,883</u> |
| Net electric capital assets | <u>\$ 15,219,201</u> | <u>\$ 17,595</u> | <u>\$ 249,672</u> | <u>\$ 14,987,124</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Water | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land rights | \$ 94,478 | \$ - | \$ - | \$ 94,478 |
| Construction in progress | - | 32,077 | 32,077 | - |
| Total capital assets not being depreciated | <u>94,478</u> | <u>32,077</u> | <u>32,077</u> | <u>94,478</u> |
| Capital assets being depreciated: | | | | |
| Source of supply | 621,431 | - | - | 621,431 |
| Pumping | 1,810,497 | - | - | 1,810,497 |
| Treatment | 261,670 | 27,617 | - | 289,287 |
| Transmission and distribution | 7,927,258 | 65,209 | 3,588 | 7,988,879 |
| General | <u>1,576,458</u> | <u>19,194</u> | <u>1,621</u> | <u>1,594,031</u> |
| Total capital assets being depreciated | <u>12,197,314</u> | <u>112,020</u> | <u>5,209</u> | <u>12,304,125</u> |
| Total capital assets | <u>12,291,792</u> | <u>144,097</u> | <u>37,286</u> | <u>12,398,603</u> |
| Less accumulated depreciation for: | | | | |
| Source of supply | (389,944) | (17,759) | - | (407,703) |
| Pumping | (1,148,019) | (62,400) | - | (1,210,419) |
| Treatment | (90,363) | (8,910) | - | (99,273) |
| Transmission and distribution | (2,444,649) | (157,827) | 3,687 | (2,598,789) |
| General | <u>(383,223)</u> | <u>(41,792)</u> | <u>1,622</u> | <u>(423,393)</u> |
| Total accumulated depreciation | <u>(4,456,198)</u> | <u>(288,688)</u> | <u>5,309</u> | <u>(4,739,577)</u> |
| Net capital assets being depreciated | <u>7,741,116</u> | <u>(176,668)</u> | <u>(100)</u> | <u>7,564,548</u> |
| Net water capital assets | <u>\$ 7,835,594</u> | <u>\$ (144,591)</u> | <u>\$ 31,977</u> | <u>\$ 7,659,026</u> |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
| Sewer | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land rights | \$ 87,044 | \$ - | \$ - | \$ 87,044 |
| Total capital assets not being depreciated | <u>87,044</u> | <u>-</u> | <u>-</u> | <u>87,044</u> |
| Capital assets being depreciated: | | | | |
| Collecting system pumping | 97,228 | - | - | 97,228 |
| Treatment and disposal | 5,245,681 | - | 4,241 | 5,241,440 |
| General | <u>833,557</u> | <u>9,997</u> | <u>6,061</u> | <u>837,493</u> |
| Total capital assets being depreciated | <u>6,176,466</u> | <u>9,997</u> | <u>10,302</u> | <u>6,176,161</u> |
| Total capital assets | <u>6,263,510</u> | <u>9,997</u> | <u>10,302</u> | <u>6,263,205</u> |
| Less accumulated depreciation for: | | | | |
| Sewer plant | <u>(3,109,320)</u> | <u>(200,165)</u> | <u>10,302</u> | <u>(3,299,183)</u> |
| Total accumulated depreciation | <u>(3,109,320)</u> | <u>(200,165)</u> | <u>10,302</u> | <u>(3,299,183)</u> |
| Net capital assets being depreciated | <u>3,067,146</u> | <u>(190,168)</u> | <u>-</u> | <u>2,876,978</u> |
| Net sewer capital assets | <u>\$ 3,154,190</u> | <u>\$ (190,168)</u> | <u>\$ -</u> | <u>\$ 2,964,022</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Ambulance | | | | |
| Capital assets being depreciated: | | | | |
| Machinery and equipment | \$ 1,186,078 | \$ - | \$ - | \$ 1,186,078 |
| Total capital assets being depreciated | <u>1,186,078</u> | <u>-</u> | <u>-</u> | <u>1,186,078</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | (706,136) | (75,945) | - | (782,081) |
| Total accumulated depreciation | <u>(706,136)</u> | <u>(75,945)</u> | <u>-</u> | <u>(782,081)</u> |
| Net capital assets being depreciated | <u>479,942</u> | <u>(75,945)</u> | <u>-</u> | <u>403,997</u> |
| Net ambulance capital assets | <u>\$ 479,942</u> | <u>\$ (75,945)</u> | <u>\$ -</u> | <u>\$ 403,997</u> |
| Business-type capital assets, net of accumulated depreciation | <u>\$ 26,688,927</u> | <u>\$ (393,109)</u> | <u>\$ 281,649</u> | <u>\$ 26,014,169</u> |

Depreciation expense was charged to functions as follows:

Business-Type Activities

| | |
|---|---------------------|
| Electric | \$ 688,687 |
| Water | 270,045 |
| Sewer | 214,204 |
| Ambulance | <u>75,945</u> |
| Total business-type activities depreciation expense | <u>\$ 1,248,881</u> |

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

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Interfund Receivables/Payables and Transfers

Interfund Receivables/Payables

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

| Receivable Fund | Payable Fund | Amount | Amount Not Due Within One Year |
|--|--------------------------|---------------------|--------------------------------|
| General Fund | General Capital Projects | \$ 177,233 | \$ - |
| General Fund | Electric Utility | 352,594 | - |
| General Fund | Water Utility | 180,832 | - |
| General Fund | Sewer Utility | 59,263 | - |
| General Fund | Ambulance | 586,814 | - |
| General Fund | TIF #5 | 10,752 | 10,752 |
| General Fund | TIF #6 | 66,509 | 9,908 |
| General Fund | TIF #7 | 10,817 | 3,638 |
| General Fund | TIF #9 | <u>16,001</u> | 16,001 |
| Total, fund financial statements | | 1,460,815 | |
| Less fund eliminations | | <u>(281,312)</u> | |
| Total internal balances, government-wide statement of net position | | <u>\$ 1,179,503</u> | |

The payables from the electric and water utilities to the general fund are for payments in lieu of taxes. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Transfers

The following is a schedule of interfund transfers:

| Fund Transferred To | Fund Transferred From | Amount | Principal Purpose |
|--|-------------------------------|-------------------|---|
| General Fund | Electric Utility | \$ 4,240 | Return on City's investment |
| General Fund | Electric Utility | 359,740 | Property tax equivalent |
| General Fund | Water Utility | 183,028 | Property tax equivalent |
| | | | Assist City with cost of maintenance of collection system |
| General Fund | Sewer Utility | 59,977 | |
| General Fund | General Capital Projects Fund | 24,035 | Transfer of proceeds from property sales |
| General Capital Projects Fund | ARPA Fund | <u>17,500</u> | Transfer of costs to the proper fund |
| Total, fund financial statements | | 648,520 | |
| Less fund eliminations | | <u>(41,535)</u> | |
| Total transfers, government-wide statement of activities | | <u>\$ 606,985</u> | |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

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

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2022, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|--|
| Governmental Activities | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation debt | \$ - | \$ 2,860,000 | \$ - | \$ 2,860,000 | \$ - |
| General obligation debt from direct borrowings and direct placements | <u>3,059,283</u> | <u>-</u> | <u>915,835</u> | <u>2,143,448</u> | <u>583,175</u> |
| Total bonds and notes payable | <u>3,059,283</u> | <u>2,860,000</u> | <u>915,835</u> | <u>5,003,448</u> | <u>583,175</u> |
| Other liabilities: | | | | | |
| Vested compensated absences | 119,140 | 121,308 | 131,248 | 109,200 | 81,900 |
| Landfill post-closure liability | <u>48,000</u> | <u>-</u> | <u>4,000</u> | <u>44,000</u> | <u>4,000</u> |
| Total other liabilities | <u>167,140</u> | <u>121,308</u> | <u>135,248</u> | <u>153,200</u> | <u>85,900</u> |
| Total governmental activities long-term liabilities | <u>\$ 3,226,423</u> | <u>\$ 2,981,308</u> | <u>\$ 1,051,083</u> | <u>\$ 5,156,648</u> | <u>\$ 669,075</u> |
| Business-Type Activities | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation debt | \$ 290,000 | \$ - | \$ 90,000 | \$ 200,000 | \$ 100,000 |
| General obligation notes from direct borrowings and direct placements | 86,449 | - | 42,596 | 43,853 | 43,853 |
| Revenue bonds | 5,635,000 | - | 385,000 | 5,250,000 | 390,000 |
| Revenue debt from direct borrowings and direct placements | 7,266,270 | - | 370,609 | 6,895,661 | 378,714 |
| (Discounts)/Premiums | <u>118,922</u> | <u>-</u> | <u>10,596</u> | <u>108,326</u> | <u>-</u> |
| Total bonds and notes payable | <u>13,396,641</u> | <u>-</u> | <u>898,801</u> | <u>12,497,840</u> | <u>912,567</u> |
| Other liabilities: | | | | | |
| Vested compensated absences | 142,338 | 74,125 | 49,126 | 167,337 | 31,793 |
| Customer advances for construction | <u>11,221</u> | <u>80,812</u> | <u>-</u> | <u>92,033</u> | <u>-</u> |
| Total other liabilities | <u>153,559</u> | <u>154,937</u> | <u>49,126</u> | <u>259,370</u> | <u>31,793</u> |
| Total business-type activities long-term liabilities | <u>\$ 13,550,200</u> | <u>\$ 154,937</u> | <u>\$ 947,927</u> | <u>\$ 12,757,210</u> | <u>\$ 944,360</u> |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2022, was \$15,347,565. Total general obligation debt outstanding at year end was \$5,247,301.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

General Obligation Debt

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

| <u>Governmental Activities</u> | | | | | Balance |
|--|----------------------|-----------------------|-----------------------|------------------------------|--------------------------|
| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | December 31, 2022 |
| Promissory Note * | Sep-18 | Oct-23 | 3.67% | \$ 359,000 | \$ 77,382 |
| Bank Loan * | Sept-20 | Sept-24 | 1.65% | 165,000 | 83,860 |
| Promissory Note * | Mar-21 | Mar-29 | 1.73% | 1,990,000 | 1,756,000 |
| Bank Loan * | Aug-21 | Aug-26 | 1.65% | 1,360,000 | 226,206 |
| Community Development Bonds | Aug-22 | Jun-42 | 3.00-4.00% | 2,860,000 | <u>2,860,000</u> |
| Total governmental activities, general obligation debt | | | | | <u>\$ 5,003,448</u> |

| <u>Business-Type Activities</u> | | | | | Balance |
|---|----------------------|-----------------------|-----------------------|------------------------------|--------------------------|
| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | December 31, 2022 |
| Refunding Bonds | Jun-13 | Dec-24 | 0.50-2.60% | \$ 995,000 | \$ 200,000 |
| Refunding Note * | Feb-18 | Feb-23 | 2.94% | 73,000 | 15,540 |
| Refunding Note * | Feb-18 | Feb-23 | 2.94% | 133,000 | <u>28,313</u> |
| Total business-type activities, general obligation debt | | | | | <u>\$ 243,853</u> |

* The debt noted is directly placed with a third party.

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>Governmental Activities</u> <u>General Obligation Debt</u> | | <u>Business-Type Activities</u> <u>General Obligation Debt</u> | |
|--------------|--|---------------------|---|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ - | \$ 128,364 | \$ 100,000 | \$ 5,100 |
| 2024 | - | 98,113 | 100,000 | 2,600 |
| 2025 | 120,000 | 98,113 | - | - |
| 2026 | 125,000 | 94,511 | - | - |
| 2027 | 130,000 | 90,762 | - | - |
| 2028-2032 | 700,000 | 393,813 | - | - |
| 2033-2037 | 810,000 | 281,000 | - | - |
| 2038-2042 | 975,000 | 116,100 | - | - |
| Total | <u>\$ 2,860,000</u> | <u>\$ 1,300,776</u> | <u>\$ 200,000</u> | <u>\$ 7,700</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

| Years | Governmental Activities General Obligation Debt from Direct Borrowings and Direct Placements | | Business-Type Activities General Obligation Debt From Direct Borrowings And Direct Placements | |
|-----------|---|-------------------|--|-----------------|
| | Principal | Interest | Principal | Interest |
| | 2023 | \$ 583,175 | \$ 52,807 | \$ 43,853 |
| 2024 | 285,273 | 26,894 | - | - |
| 2025 | 247,000 | 21,994 | - | - |
| 2026 | 250,000 | 17,733 | - | - |
| 2027 | 255,000 | 13,420 | - | - |
| 2028-2029 | 523,000 | 13,576 | - | - |
| Total | <u>\$ 2,143,448</u> | <u>\$ 146,424</u> | <u>\$ 43,853</u> | <u>\$ 1,312</u> |

Revenue Debt

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

The electric utility revenues net of specified operating expenses are pledged as security of the electric revenue bonds until the bonds are defeased. Principal and interest paid for 2022 was \$826,377. Total customer net revenues as defined for 2022 were \$1,657,199. Annual principal and interest payments are expected to require 30% of net revenues on average.

The water utility revenues net of specified operating expenses are pledged as security of the water revenue bonds until the bonds are defeased. Principal and interest paid for 2022 was \$112,189. Total customer net revenues as defined for 2022 were \$549,995. Annual principal and interest payments are expected to require 19% of net revenues on average.

The sewer utility revenues net of specified operating expenses are pledged as security of the sewer revenue bonds until the bonds are defeased. Principal and interest paid for 2022 was \$187,840. Total customer net revenues as defined for 2022 were \$247,161. Annual principal and interest payments are expected to require 31% of net revenues on average.

Revenue debt payable at December 31, 2022, consists of the following:

Business-Type Activities Revenue Debt

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2022 |
|-------------------------|------------------|-------------------|-------------------|--------------------------|---------------------------------|
| Electric Utility | | | | | |
| Revenue Bond * | Dec-10 | Jun-47 | 3.75% | \$ 5,000,000 | \$ 3,903,280 |
| Revenue Bond | May-14 | Dec-30 | 2.00-5.00% | 5,045,000 | 2,715,000 |
| Revenue Bond * | Jan-18 | Jan-28 | 0.00% | 280,000 | 168,000 |
| Revenue Bond | Dec-20 | Dec-45 | 2.00-2.35% | 2,705,000 | 2,535,000 |
| Total Electric Utility | | | | | <u>9,321,280</u> |
| Water Utility | | | | | |
| Revenue Bond * | Dec-14 | May-34 | 1.16% | 506,560 | 332,657 |
| Revenue Bond * | Dec-20 | May-40 | 1.90% | 1,318,000 | 1,260,000 |
| Total Water Utility | | | | | <u>1,592,657</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

| <u>Sewer Utility</u> | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance December 31, 2022</u> |
|--|----------------------|-----------------------|-----------------------|------------------------------|----------------------------------|
| Revenue Bond * | Oct-06 | May-26 | 2.37% | \$ 2,299,337 | \$ 551,724 |
| Revenue Bond * | Dec-20 | May-40 | 1.90% | 710,000 | <u>680,000</u> |
| | | | | Total Sewer Utility | <u>1,231,724</u> |
| Total business-type activities, revenue debt | | | | | <u>\$ 12,145,661</u> |

* The debt noted is directly placed with a third party.

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>Business-Type Activities Revenue Debt</u> | |
|--------------|--|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 390,000 | \$ 154,678 |
| 2024 | 405,000 | 143,828 |
| 2025 | 415,000 | 132,578 |
| 2026 | 430,000 | 120,541 |
| 2027 | 440,000 | 107,586 |
| 2028-2032 | 1,590,000 | 305,975 |
| 2033-2037 | 555,000 | 149,910 |
| 2038-2042 | 620,000 | 89,457 |
| 2043-2045 | <u>405,000</u> | <u>19,269</u> |
| Total | <u>\$ 5,250,000</u> | <u>\$ 1,223,822</u> |

| <u>Years</u> | <u>Business-Type Activities Revenue Debt from Direct Borrowings and Direct Placements</u> | |
|--------------|---|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 378,714 | \$ 196,604 |
| 2024 | 392,047 | 187,485 |
| 2025 | 401,603 | 178,063 |
| 2026 | 410,392 | 168,382 |
| 2027 | 273,239 | 160,170 |
| 2028-2032 | 1,353,065 | 696,077 |
| 2033-2037 | 1,433,801 | 501,263 |
| 2038-2042 | 1,336,871 | 284,856 |
| 2043-2047 | <u>915,929</u> | <u>79,222</u> |
| Total | <u>\$ 6,895,661</u> | <u>\$ 2,452,122</u> |

Other Debt Information

Estimated payments of compensated absences and landfill post-closure costs are not included in the debt service requirement schedules. The compensated absences and landfill post-closure costs attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

City of Black River Falls

Notes to Financial Statements
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The City's general obligation debt from direct borrowings and/or direct placements related to governmental activities with balances totaling \$387,448, contain provisions that if the City fails to pay any amount due, then the unpaid balance shall, at the option of the lender, without notice, mature and become immediately payable.

The utilities' outstanding debt from direct borrowings and/or direct placements of \$3,903,280, contain a provision that in the event the utilities fail to make a payment when due or fail to comply with any other provisions of the agreement, the lender, at its option, may declare the entire loan balance outstanding immediately due and payable, incur and pay expenses necessary to cure the cause of default (payable from the source of funds pledged to pay the bonds or any other legally permissible source) and/or take possession of the facility.

The utilities' outstanding debt from direct borrowings and/or direct placements of \$884,381, contain a provision that in the event the utilities fail to make a payment when due or fail to comply with any other provisions of the financial assistance agreement, the lender may pursue remedies including, but not limited to, deducting amounts from any state payments due to the municipality, declaring the entire balance of the loan immediately due and payable, increasing the interest rate to the market interest rate and/or appointing a receiver for the benefit of the lender.

The utilities' outstanding debt from direct borrowings and/or direct placements of \$168,000, contain a provision that upon an event of default, all principal outstanding may become immediately due and payable, except that amounts due shall be limited to income and revenues of the system and shall be subject to prior pledges of income and revenues.

The utilities' outstanding debt from direct borrowings and/or direct placements of \$43,853, contain several conditions under which outstanding amounts may mature and become immediately payable, including if the lender deems itself insecure.

Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its former landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$44,000 reported as landfill closure and postclosure care liability at December 31, 2022, represents the total amount needed by the City for postclosure care costs according to state and federal regulations. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2022, includes the following:

Governmental Activities

Net investment in capital assets:

| | | |
|---|----|-------------------|
| Land | \$ | 5,960,644 |
| Construction in progress | | 1,786,277 |
| Other capital assets, net of accumulated depreciation | | 15,614,486 |
| Less long-term debt outstanding | | (5,003,448) |
| Plus unspent capital related debt proceeds | | 1,122,122 |
| Plus noncapital debt proceeds | | 77,382 |
| | | <u>77,382</u> |
| Total net investment in capital assets | \$ | <u>19,557,463</u> |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2022, include the following:

| | General Fund | Debt Service Fund | General Capital Projects Fund | TIF #3 Capital Projects Fund | TIF #8 Capital Projects Fund | Nonmajor Funds | Total |
|-------------------------------------|---------------------|-------------------------|--|---------------------------------------|---------------------------------------|-------------------|---------------------|
| Fund Balances | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepaid items | \$ 4,081 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,081 |
| Noncurrent interfunds | 40,299 | - | - | - | - | - | 40,299 |
| Subtotal | 44,380 | - | - | - | - | - | 44,380 |
| Restricted for: | | | | | | | |
| Fair park | 161,015 | - | - | - | - | - | 161,015 |
| Library | 117,848 | - | - | - | - | - | 117,848 |
| TIF project costs | - | - | - | 1,113,032 | 1,044,114 | 107,731 | 2,264,877 |
| Playground | - | - | - | - | - | 50,065 | 50,065 |
| Loans | - | - | - | - | - | 213,964 | 213,964 |
| Affordable housing | - | - | - | - | - | 114,070 | 114,070 |
| Subtotal | 278,863 | - | - | 1,113,032 | 1,044,114 | 485,830 | 2,921,839 |
| Assigned to: | | | | | | | |
| Superfund | 701,768 | - | - | - | - | - | 701,768 |
| Economic development | 616,493 | - | - | - | - | - | 616,493 |
| Fair Park projects | 286,863 | - | - | - | - | - | 286,863 |
| Lunda Community Park | 27,151 | - | - | - | - | - | 27,151 |
| Licence plates | 50,960 | - | - | - | - | - | 50,960 |
| Taxi services | 96,027 | - | - | - | - | - | 96,027 |
| Fire Department | 714,704 | - | - | - | - | - | 714,704 |
| Debt service | - | 20,995 | - | - | - | - | 20,995 |
| Subtotal | 2,493,966 | 20,995 | - | - | - | - | 2,514,961 |
| Unassigned (deficit): | <u>2,604,942</u> | <u>-</u> | <u>(195,184)</u> | <u>-</u> | <u>-</u> | <u>(104,079)</u> | <u>2,305,679</u> |
| Total fund balances (deficit) | <u>\$ 5,422,151</u> | <u>\$ 20,995</u> | <u>\$ (195,184)</u> | <u>\$ 1,113,032</u> | <u>\$ 1,044,114</u> | <u>\$ 381,751</u> | <u>\$ 7,786,859</u> |

Business-Type Activities

Net investment in capital assets:

| | |
|--|--------------|
| Land | \$ 284,867 |
| Construction in progress | 77,896 |
| Other capital assets, net of accumulated depreciation/amortization | 25,651,406 |
| Less long-term debt outstanding | (12,361,201) |
| Plus unamortized debt discount (premium) | (108,326) |
| Plus deferred charge on refunding | 66,473 |
| Plus unspent proceeds | 555,920 |
| Less capital retainages payable | (27,106) |

Total net investment in capital assets \$ 14,139,929

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Component Unit

Business Improvement District of the City of Black River Falls

This report contains the Business Improvement District of the City of Black River Falls (BID), which is included as a component unit.

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

a. Basis of Accounting/Measurement Focus

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

b. Receivables

As of December 31, 2022, the BID had unearned revenues of \$26,968 related to property taxes receivable for the subsequent year.

4. Other Information

Employees' Retirement System

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 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/about-etf/reports-and-studies/financial-reports-and-statements>.

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

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

City of Black River Falls

Notes to Financial Statements

December 31, 2022

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

Vested participants may retire at age 55 (50 for protective 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.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

| <u>Year</u> | <u>Core Fund Adjustment %</u> | <u>Variable Fund Adjustment %</u> |
|-------------|-----------------------------------|---------------------------------------|
| 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 |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

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, the WRS recognized \$222,309 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2022 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|--|-----------------|-----------------|
| General (executives & elected officials) | 6.75 % | 6.75 % |
| Protective with Social Security | 6.75 % | 11.75 % |
| Protective without Social Security | 6.75 % | 16.35 % |

Pension Asset, Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the City reported an asset of \$1,552,290 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 0.01925875%, which was a decrease of 0.00041729% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension expense (revenue) of \$(144,153).

City of Black River Falls

Notes to Financial Statements
December 31, 2022

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 projected and actual experience | \$ 2,507,647 | \$ 180,828 |
| Changes in assumptions | 289,604 | - |
| Net differences between projected and actual earnings on pension plan investments | - | 3,472,604 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,462 | 7,293 |
| Employer contributions subsequent to the measurement date | <u>227,511</u> | <u>-</u> |
| Total | <u>\$ 3,029,224</u> | <u>\$ 3,660,725</u> |

\$227,511 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2023. 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>Years Ending December 31:</u> | <u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u> |
|--------------------------------------|---|
| 2023 | \$ (74,736) |
| 2024 | (422,114) |
| 2025 | (185,373) |
| 2026 | (176,789) |

City of Black River Falls

Notes to Financial Statements
December 31, 2022

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Actuarial Valuation Date: | December 31, 2020 |
| Measurement Date of Net Pension Liability (Asset): | December 31, 2021 |
| Experience Study: | January 1, 2018 - December 31, 2020 Published November 19, 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 |
| Post-Retirement Adjustments*: | 1.7% |

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this 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.

City of Black River Falls

Notes to Financial Statements
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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:

| Asset Allocation Targets and Expected Returns* As of December 31, 2021 | | | |
|---|---------------------------|--|---|
| Core Fund Asset Class | Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return %** |
| Global Equities | 52 | 6.8 | 4.2 |
| Fixed Income | 25 | 4.3 | 1.8 |
| Inflation Sensitive | 19 | 2.7 | 0.2 |
| Real Estate | 7 | 5.6 | 3.0 |
| Private Equity/Debt | 12 | 9.7 | 7.0 |
| Total Core Fund*** | 115 | 6.6 | 4.0 |
| Variable Fund Asset | | | |
| U.S Equities | 70 | 6.3 | 3.7 |
| International Equities | 30 | 7.2 | 4.6 |
| Total Variable Fund | 100 | 6.8 | 4.2 |

* *Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations*

** *New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%*

*** *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 Black River Falls

Notes to Financial Statements
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Single Discount Rate

A single discount rate of 6.8% 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 6.8% 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 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the investment rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (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:

| | <u>1% Decrease to Discount Rate (5.8%)</u> | <u>Current Discount Rate (6.8%)</u> | <u>1% Increase to Discount Rate (7.8%)</u> |
|---|--|---|--|
| City's proportionate share of the net pension liability (asset) | <u>\$ 1,101,460</u> | <u>\$ (1,552,290)</u> | <u>\$ (3,462,497)</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

At December 31, 2022, the City reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

City of Black River Falls

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Public Entity Risk Pool

Self Insurance

The utilities are partially self-insured for health insurance claims. The utilities purchase a commercial health insurance policy with a \$3,000 deductible for single and \$6,000 deductible for family coverage. Employees are responsible for 12% of the premiums. The amount is taken as a payroll deduction. Single plan deductions are \$52.47 per pay period for an annual maximum of \$1,364.22. Family plans have a \$120.59 per pay period deduction with an annual maximum deduction of \$3,135.34. The utilities have developed a health insurance plan and has hired a third party administrator to process claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities do not include an amount for claims that have been incurred but not reported as these were likely to be immaterial. The utilities do not allocate overhead costs or other nonincremental costs to the claims liability. Claims payable at the beginning and end of 2022 were \$0. Claims incurred and paid during 2022 were \$76,774.

The utilities are also self-insured for unemployment compensation obligations as permitted under Wisconsin Statutes. Annual expenditures by the utilities for claims during 2022 were not significant. The utilities are self-insured for boiler and machinery insurance as well.

Commitments and Contingencies

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

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

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

The City has active construction and purchase contracts as of December 31, 2022. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Long-Term Contracts, WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Michigan and Iowa. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

City of Black River Falls

Notes to Financial Statements
December 31, 2022

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

Fifty members, representing approximately 99.8% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining member has a long-term contract through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$274 million as of December 31, 2022.

Joint Ventures

Black River Falls Rural Fire Department

The City of Black River Falls and the townships of Alma, Adams, Albion, Irving, Brockway, Manchester, Komensky and Millston jointly operate the local fire department, which is called the Black River Falls Rural Fire Department (Department) and provides fire service. The townships share in the operation of the department on a mill-rate formula based on the latest aggregate full value of the townships. The City of Black River Falls agrees to provide adequate housing for the fire apparatus and pay 12% of the operating budget per year.

The governing body is made up of citizens from each community. Local representatives are appointed by the Mayor of the City of Black River Falls and the Chairperson of each township. The governing body has authority to adopt its own budget and control the financial affairs of the Department. The City is obligated by the joint venture agreement to remit an amount annually to the Department. The City made a payment to the Department of \$12,340 in 2022.

Financial information of the Department as of December 31, 2022 is available directly from the Department's office.

The City does not have an equity interest in the Department.

Black River Falls Area Airport

The City of Black River Falls and Jackson County jointly operate the local airport, which is called the Black River Falls Area Airport (Airport) and provides airport service.

The governing body is made up of elected officials appointed by the Mayor and County Board Chairperson. The governing body has authority to adopt its own budget and control the financial affairs of the airport. The City is obligated by the joint venture agreement to remit an amount annually to the department. The City made a payment to the Airport of \$12,500 in 2022.

Summary financial information of the airport as of December 31, 2022 is available from the City Clerk's office at 101 S. 2nd Street, Black River Falls, WI 54615.

The transactions of the Airport are not reflected in these financial statements.

The City reports the airport capital assets on the statement of net position.

Economic Dependency

Sewer Utility

The sewer utility has one significant customer who was responsible for 26% of operating revenues in 2022.

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Black River Falls

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund (Non-GAAP)
Year Ended December 31, 2022

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------------------------|-------------------|---------------------------------------|
| Revenues | | | |
| Taxes | \$ 904,125 | \$ 914,726 | \$ 10,601 |
| Intergovernmental | 1,329,150 | 1,440,348 | 111,198 |
| Licenses and permits | 10,000 | 92,645 | 82,645 |
| Fines, forfeitures and penalties | 14,800 | 15,554 | 754 |
| Public charges for services | 6,500 | 13,861 | 7,361 |
| Special assessments | - | 3,230 | 3,230 |
| Investment income | 12,000 | (10,262) | (22,262) |
| Miscellaneous | 59,500 | 107,867 | 48,367 |
| | <u>2,336,075</u> | <u>2,577,969</u> | <u>241,894</u> |
| Total revenues | | | |
| Expenditures | | | |
| Current: | | | |
| General government | 644,130 | 649,019 | (4,889) |
| Public safety | 743,380 | 736,358 | 7,022 |
| Public works | 987,109 | 941,157 | 45,952 |
| Health and human services | 10,500 | 10,170 | 330 |
| Culture, recreation and education | 569,656 | 599,067 | (29,411) |
| Conservation and development | 1,000 | 107,426 | (106,426) |
| Capital outlay | 8,500 | 16,034 | (7,534) |
| | <u>2,964,275</u> | <u>3,059,231</u> | <u>(94,956)</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>(628,200)</u> | <u>(481,262)</u> | <u>146,938</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | 624,200 | 631,020 | 6,820 |
| Transfers out | - | (3,330) | (3,330) |
| Sale of property and equipment | - | 17,185 | 17,185 |
| | <u>624,200</u> | <u>644,875</u> | <u>20,675</u> |
| Total other financing sources (uses) | | | |
| Net change in fund balance, budgetary basis | <u>\$ (4,000)</u> | 163,613 | <u>\$ 167,613</u> |
| Prospective Differences | | | |
| Fire Department fund change in fund balance | | 519 | |
| Economic Development fund change in fund balance | | 16,223 | |
| Aquatic Center fund change in fund balance | | (43,122) | |
| Jackson County Fair fund change in fund balance | | 23,302 | |
| Jackson County New Arena fund change in fund balance | | 24,138 | |
| Lunda Community Park fund change in fund balance | | 11,599 | |
| Field of Honor fund change in fund balance | | 123 | |
| Fair Park Renovation fund change in fund balance | | 1,280 | |
| Jackson County Fair Park Maintenance fund change in fund balance | | (667) | |
| License Plate fund change in fund balance | | (2,356) | |
| Taxi Service fund change in fund balance | | (53,564) | |
| Net change in fund balance, GAAP basis | | <u>\$ 141,088</u> | |

See notes to required supplementary information

City of Black River Falls

Schedule of Employer's Proportionate Share of the Net Pension Asset (Liability)

Wisconsin Retirement System (WRS)

Year Ended December 31, 2022

| WRS Fiscal Year End Date (Measurement Date) | City's Proportion of the Net Pension Asset (Liability) | City's Proportionate Share of the Net Pension Asset (Liability) | City's Covered Payroll | City's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--|--|---|------------------------------|---|--|
| 12/30/21 | 0.01925875% | \$ 1,552,290 | \$ 2,781,812 | 55.80% | 106.02% |
| 12/31/20 | 0.01967604% | 1,228,402 | 2,733,369 | 44.94% | 105.26% |
| 12/31/19 | 0.02005494% | 646,662 | 2,789,420 | 23.18% | 102.96% |
| 12/31/18 | 0.01996108% | (710,152) | 2,745,533 | 25.87% | 96.45% |
| 12/31/17 | 0.01929270% | 572,823 | 2,603,541 | 22.00% | 102.93% |
| 12/31/16 | 0.01841270% | (151,765) | 2,535,421 | 5.99% | 99.12% |
| 12/31/15 | 0.01827242% | (296,923) | 2,375,291 | 12.50% | 98.20% |
| 12/31/14 | 0.01868455% | 458,944 | 2,333,340 | 19.67% | 102.74% |

Schedule of Employer Contributions

Wisconsin Retirement System (WRS)

Year Ended December 31, 2022

| City Year End Date | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------|--|---|--|--------------------|---|
| 12/31/22 | \$ 227,511 | \$ 227,511 | \$ - | \$ 2,880,621 | 7.90% |
| 12/31/21 | 222,310 | 222,310 | - | 2,781,813 | 7.99% |
| 12/31/20 | 210,962 | 210,962 | - | 2,717,359 | 7.76% |
| 12/31/19 | 210,796 | 210,796 | - | 2,843,576 | 7.41% |
| 12/31/18 | 200,790 | 200,790 | - | 2,638,058 | 7.61% |
| 12/31/17 | 194,642 | 194,642 | - | 2,539,137 | 7.67% |
| 12/31/16 | 186,397 | 186,397 | - | 2,535,421 | 7.35% |
| 12/31/15 | 177,400 | 177,400 | - | 2,401,183 | 7.39% |

See notes to required supplementary information

City of Black River Falls

Notes to Required Supplementary Information
Year Ended December 31, 2022

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

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

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the object level of expenditure in the general fund and in the debt service fund and general capital projects fund, budgets are adopted at the fund level of expenditure.

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting. There are prospective differences between general fund actual amounts shown in the required supplementary information and those shown in the basic financial statements. These are detailed in the required supplementary information.

Wisconsin Retirement System

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

City of Black River Falls

Detailed Schedule of Revenues and Other Financing Sources - Budget and Actual -
 General Fund (Non-GAAP)
 Year Ended December 31, 2022

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------------------------|------------------|---|
| Taxes | | | |
| General property tax for local purposes | \$ 891,550 | \$ 891,550 | \$ - |
| Mobile home taxes | 7,500 | 5,204 | (2,296) |
| Public accommodation taxes | 5,000 | 4,936 | (64) |
| Payments in lieu of taxes | 75 | 13,036 | 12,961 |
| | <u>904,125</u> | <u>914,726</u> | <u>10,601</u> |
| Total taxes | | | |
| Special Assessments | | | |
| Other | - | 3,230 | 3,230 |
| | <u>-</u> | <u>3,230</u> | <u>3,230</u> |
| Total special assessments | | | |
| Intergovernmental | | | |
| Shared revenues | 736,000 | 739,528 | 3,528 |
| State aid, general government | 9,800 | 9,802 | 2 |
| State aid, law enforcement training | - | 3,680 | 3,680 |
| State aid, emergency government | - | 73,490 | 73,490 |
| State aid, general transportation aids | 365,000 | 365,122 | 122 |
| State aid, connecting streets | 40,000 | 40,617 | 617 |
| State aid, municipal services | 5,800 | 4,398 | (1,402) |
| In lieu of taxes on federal forest land | 1,300 | 1,331 | 31 |
| Other state payments | - | 6,602 | 6,602 |
| County aid, libraries | 161,250 | 168,778 | 7,528 |
| Other local government | 10,000 | 27,000 | 17,000 |
| | <u>1,329,150</u> | <u>1,440,348</u> | <u>111,198</u> |
| Total intergovernmental | | | |
| Licenses and Permits | | | |
| Liquor and malt beverage licenses | 7,000 | 8,674 | 1,674 |
| Operators' license | 2,000 | 2,494 | 494 |
| Cigarette licenses | 1,000 | 1,325 | 325 |
| Building permits | - | 70,615 | 70,615 |
| Other regulatory permits and fees | - | 9,537 | 9,537 |
| | <u>10,000</u> | <u>92,645</u> | <u>82,645</u> |
| Total licenses and permits | | | |
| Fines, Forfeitures and Penalties | | | |
| Law and ordinance violations | 800 | 1,137 | 337 |
| Traffic reports | 14,000 | 14,417 | 417 |
| | <u>14,800</u> | <u>15,554</u> | <u>754</u> |
| Total fines, forfeitures and penalties | | | |
| Public Charges for Services | | | |
| Parks | 1,500 | 3,705 | 2,205 |
| Street related facilities | - | 3,336 | 3,336 |
| Library | 5,000 | 6,599 | 1,599 |
| Other public charges for services | - | 221 | 221 |
| | <u>6,500</u> | <u>13,861</u> | <u>7,361</u> |
| Total public charges for services | | | |

City of Black River Falls

Detailed Schedule of Revenues and Other Financing Sources - Budget and Actual -
General Fund (Non-GAAP)
Year Ended December 31, 2022

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|--------------------------------------|---------------------|---------------------------------------|
| Investment Income | | | |
| Interest income | \$ 12,000 | \$ (13,008) | \$ (25,008) |
| Interest on special assessments | <u>-</u> | <u>2,746</u> | <u>2,746</u> |
| Total investment income | <u>12,000</u> | <u>(10,262)</u> | <u>(22,262)</u> |
| Miscellaneous | | | |
| Rent | - | 13,461 | 13,461 |
| Insurance recoveries, police | - | 409 | 409 |
| Insurance recoveries, highway | - | 4,899 | 4,899 |
| Donations | 12,000 | 40,047 | 28,047 |
| Miscellaneous | <u>47,500</u> | <u>49,051</u> | <u>1,551</u> |
| Total miscellaneous | <u>59,500</u> | <u>107,867</u> | <u>48,367</u> |
| Other Financing Sources | | | |
| Transfers in | 624,200 | 631,020 | 6,820 |
| Sale of property and equipment | <u>-</u> | <u>17,185</u> | <u>17,185</u> |
| Total other financing sources | <u>624,200</u> | <u>648,205</u> | <u>24,005</u> |
| Total revenues and other financing sources | <u>\$ 2,960,275</u> | <u>\$ 3,226,174</u> | <u>\$ 265,899</u> |

City of Black River Falls

Detailed Schedule of Expenditures and Other Financing Uses - Budget and Actual -
 General Fund (Non-GAAP)
 Year Ended December 31, 2022

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------------------------|----------------|---------------------------------------|
| General Government | | | |
| Council | \$ 28,530 | \$ 26,073 | \$ 2,457 |
| Legal counseling | 40,000 | 37,457 | 2,543 |
| Mayor | 9,045 | 9,043 | 2 |
| Administrator | 119,215 | 118,316 | 899 |
| Elections | 10,000 | 10,560 | (560) |
| Finance | 154,575 | 153,943 | 632 |
| Assessor/building inspector | 15,250 | 24,385 | (9,135) |
| Independent auditing | 43,000 | 46,149 | (3,149) |
| Municipal building | 30,385 | 33,802 | (3,417) |
| Property and liability insurance | 50,000 | 42,769 | 7,231 |
| Workers' compensation | 55,000 | 36,979 | 18,021 |
| Automobile fleet insurance | 17,500 | 9,899 | 7,601 |
| Other general government | 29,000 | 31,656 | (2,656) |
| Employee benefits | 42,630 | 57,765 | (15,135) |
| License publication fees | - | 623 | (623) |
| Training and safety | - | 9,600 | (9,600) |
| | <u>644,130</u> | <u>649,019</u> | <u>(4,889)</u> |
| Total general government | | | |
| Public Safety | | | |
| Police | 743,380 | 679,747 | 63,633 |
| Building inspection | - | 56,129 | (56,129) |
| EMS | - | 482 | (482) |
| | <u>743,380</u> | <u>736,358</u> | <u>7,022</u> |
| Total public safety | | | |
| Public Works | | | |
| Administration | 93,585 | 93,276 | 309 |
| Street machine repair | 67,885 | 63,961 | 3,924 |
| Highway and street maintenance and construction | 94,310 | 102,982 | (8,672) |
| Curb and gutter | 33,615 | 20,275 | 13,340 |
| Tree and brush control | 42,815 | 70,249 | (27,434) |
| Street signs | 8,990 | 2,576 | 6,414 |
| Street cleaning | 11,875 | 9,745 | 2,130 |
| Snow and ice control | 107,970 | 79,837 | 28,133 |
| Street lighting | 80,000 | 71,323 | 8,677 |
| Storm sewer | 13,385 | 15,749 | (2,364) |
| Airport | 12,500 | 11,739 | 761 |
| Levee certification and maintenance | 1,200 | - | 1,200 |
| Refuse and garbage collection | 52,675 | 40,678 | 11,997 |
| Landfill | 45,000 | 41,671 | 3,329 |
| Recycling | 27,214 | 17,712 | 9,502 |
| Sanitary sewers | 44,520 | 42,960 | 1,560 |
| Garage and machine shed | 75,525 | 96,625 | (21,100) |
| Landfill abandonment | 3,750 | 3,500 | 250 |
| Insurance | 145,930 | 148,156 | (2,226) |
| Sidewalks | 24,365 | 8,143 | 16,222 |
| | <u>987,109</u> | <u>941,157</u> | <u>45,952</u> |
| Total public works | | | |

City of Black River Falls

Detailed Schedule of Expenditures and Other Financing Uses - Budget and Actual -
General Fund (Non-GAAP)
Year Ended December 31, 2022

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------------------------|---------------------|---------------------------------------|
| Health and Human Services | | | |
| Rodent control | \$ 500 | \$ 170 | \$ 330 |
| Animal control | 10,000 | 10,000 | - |
| Total health and human services | <u>10,500</u> | <u>10,170</u> | <u>330</u> |
| Culture, Recreation and Education | | | |
| Library | 340,489 | 356,526 | (16,037) |
| Parks | 125,162 | 143,608 | (18,446) |
| Recreation programs | 500 | - | 500 |
| Recreation administration | 102,005 | 98,933 | 3,072 |
| Skating rink | 1,500 | - | 1,500 |
| Total culture, recreation and education | <u>569,656</u> | <u>599,067</u> | <u>(29,411)</u> |
| Conservation And Development | | | |
| Urban development | 1,000 | 107,426 | (106,426) |
| Total conservation and development | <u>1,000</u> | <u>107,426</u> | <u>(106,426)</u> |
| Capital Outlay | | | |
| Library | 2,500 | 3,608 | (1,108) |
| Street lighting | 2,500 | 1,079 | 1,421 |
| Storm sewer | 3,500 | 2,448 | 1,052 |
| Parks and playgrounds | - | 8,899 | (8,899) |
| Total capital outlay | <u>8,500</u> | <u>16,034</u> | <u>(7,534)</u> |
| Other Financing Uses | | | |
| Transfers out | - | 3,330 | (3,330) |
| Total other financing uses | <u>-</u> | <u>3,330</u> | <u>(3,330)</u> |
| Total expenditures and other financing uses | <u>\$ 2,964,275</u> | <u>\$ 3,062,561</u> | <u>\$ (98,286)</u> |

City of Black River Falls

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2022

| | <u>Special Revenue</u> | | | | <u>Capital Projects</u> |
|---|------------------------|--------------------------|---------------------------|-------------------|-------------------------|
| | <u>Playground</u> | <u>Revolving Housing</u> | <u>Affordable Housing</u> | <u>ARPA</u> | <u>TIF #4</u> |
| Assets | | | | | |
| Cash and investments | \$ 50,065 | \$ 213,964 | \$ 114,070 | \$ 131,015 | \$ 107,731 |
| Receivables (net): | | | | | |
| Taxes | - | - | - | - | 176,711 |
| Loans | - | 604,360 | - | - | - |
| Prepaid items | - | - | - | 125,000 | - |
| Total assets | <u>\$ 50,065</u> | <u>\$ 818,324</u> | <u>\$ 114,070</u> | <u>\$ 256,015</u> | <u>\$ 284,442</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unearned revenues | - | - | - | 256,015 | - |
| Total liabilities | - | - | - | 256,015 | - |
| Deferred Inflows of Resources | | | | | |
| Unearned revenues | - | - | - | - | 176,711 |
| Unavailable revenues | - | 604,360 | - | - | - |
| Total deferred inflows of resources | - | 604,360 | - | - | 176,711 |
| Fund Balances | | | | | |
| Restricted | 50,065 | 213,964 | 114,070 | - | 107,731 |
| Unassigned (deficit) | - | - | - | - | - |
| Total fund balances | <u>50,065</u> | <u>213,964</u> | <u>114,070</u> | <u>-</u> | <u>107,731</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 50,065</u> | <u>\$ 818,324</u> | <u>\$ 114,070</u> | <u>\$ 256,015</u> | <u>\$ 284,442</u> |

Capital Projects

| <u>TIF #5</u> | <u>TIF #6</u> | <u>TIF #7</u> | <u>TIF #9</u> | <u>Total Nonmajor Governmental Funds</u> |
|-----------------|------------------|-----------------|-----------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ 616,845 |
| - | 56,601 | 7,179 | - | 240,491 |
| - | - | - | - | 604,360 |
| - | - | - | - | 125,000 |
| <u>\$ -</u> | <u>\$ 56,601</u> | <u>\$ 7,179</u> | <u>\$ -</u> | <u>\$ 1,586,696</u> |
| | | | | |
| \$ 10,752 | \$ 66,509 | \$ 10,817 | \$ 16,001 | \$ 104,079 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>256,015</u> |
| <u>10,752</u> | <u>66,509</u> | <u>10,817</u> | <u>16,001</u> | <u>360,094</u> |
| | | | | |
| - | 56,601 | 7,179 | - | 240,491 |
| - | - | - | - | 604,360 |
| - | 56,601 | 7,179 | - | 844,851 |
| | | | | |
| - | - | - | - | 485,830 |
| <u>(10,752)</u> | <u>(66,509)</u> | <u>(10,817)</u> | <u>(16,001)</u> | <u>(104,079)</u> |
| <u>(10,752)</u> | <u>(66,509)</u> | <u>(10,817)</u> | <u>(16,001)</u> | <u>381,751</u> |
| | | | | |
| <u>\$ -</u> | <u>\$ 56,601</u> | <u>\$ 7,179</u> | <u>\$ -</u> | <u>\$ 1,586,696</u> |

City of Black River Falls

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

| | Special Revenue | | | | Capital Projects |
|---|-----------------|----------------------|-----------------------|----------|---------------------|
| | Playground | Revolving Housing | Affordable Housing | ARPA | TIF #4 |
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 171,343 |
| Intergovernmental | - | - | - | 95,431 | 3,767 |
| Investment income | - | 1,773 | - | - | - |
| Miscellaneous | 50,065 | 70,154 | - | - | - |
| Total revenues | 50,065 | 71,927 | - | 95,431 | 175,110 |
| Expenditures | | | | | |
| Current: | | | | | |
| Conservation and development | - | 71,873 | - | 77,931 | 5,150 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | 115,541 |
| Interest and fiscal charges | - | - | - | - | 7,690 |
| Total expenditures | - | 71,873 | - | 77,931 | 128,381 |
| Excess (deficiency) of revenues over expenditures | 50,065 | 54 | - | 17,500 | 46,729 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | - | - | (17,500) | - |
| Total other financing sources (uses) | - | - | - | (17,500) | - |
| Net change in fund balances | 50,065 | 54 | - | - | 46,729 |
| Fund Balances (Deficit), Beginning | - | 213,910 | 114,070 | - | 61,002 |
| Fund Balances (Deficit), Ending | \$ 50,065 | \$ 213,964 | \$ 114,070 | \$ - | \$ 107,731 |

| Capital Projects | | | | Total Nonmajor Governmental Funds |
|-------------------------|--------------------|--------------------|--------------------|--|
| TIF #5 | TIF #6 | TIF #7 | TIF #9 | |
| \$ - | \$ 35,576 | \$ 6,929 | \$ - | \$ 213,848 |
| - | - | - | - | 99,198 |
| - | - | - | - | 1,773 |
| - | - | - | - | 120,219 |
| - | 35,576 | 6,929 | - | 435,038 |
| 150 | 114,403 | 649 | 16,001 | 286,157 |
| - | - | - | - | 115,541 |
| - | - | - | - | 7,690 |
| 150 | 114,403 | 649 | 16,001 | 409,388 |
| (150) | (78,827) | 6,280 | (16,001) | 25,650 |
| - | - | - | - | (17,500) |
| - | - | - | - | (17,500) |
| (150) | (78,827) | 6,280 | (16,001) | 8,150 |
| (10,602) | 12,318 | (17,097) | - | 373,601 |
| <u>\$ (10,752)</u> | <u>\$ (66,509)</u> | <u>\$ (10,817)</u> | <u>\$ (16,001)</u> | <u>\$ 381,751</u> |

City of Black River Falls

Combining Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

| | Custodial Funds | | Total |
|---------------------------|---------------------------|---|------------------|
| | Tax Collection Fund | License & Registration Collection Fund | |
| Assets | | | |
| Cash and investments | \$ 1,641,090 | \$ - | \$ 1,641,090 |
| Taxes receivable | 2,272,170 | - | 2,272,170 |
| Total assets | <u>3,913,260</u> | <u>-</u> | <u>3,913,260</u> |
| Liabilities | | | |
| Due to other taxing units | <u>3,913,260</u> | <u>-</u> | <u>3,913,260</u> |
| Total liabilities | <u>3,913,260</u> | <u>-</u> | <u>3,913,260</u> |
| Total net position | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Black River Falls

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended December 31, 2022

| | <u>Custodial Funds</u> | | <u>Total</u> |
|--|----------------------------|---|------------------|
| | <u>Tax Collection Fund</u> | <u>License & Registration Collection Fund</u> | |
| Additions | | | |
| Property taxes collected for other governments | \$ 2,519,067 | \$ - | \$ 2,519,067 |
| License and registration fees collected for other governments | - | 78,366 | 78,366 |
| Total additions | <u>2,519,067</u> | <u>78,366</u> | <u>2,597,433</u> |
| Deductions | | | |
| Property taxes distributed to other governments | 2,519,067 | - | 2,519,067 |
| License and registration fees distributed to other governments | - | 78,366 | 78,366 |
| Total deductions | <u>2,519,067</u> | <u>78,366</u> | <u>2,597,433</u> |
| Change in net position | - | - | - |
| Net Position, Beginning | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position, Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Black River Falls

Combining Balance Sheet - General Fund
December 31, 2022

| | <u>General Fund</u> | <u>Fire Department</u> | <u>Economic Development</u> | <u>Aquatic Center</u> | <u>Jackson County Fair</u> | <u>Jackson County New Arena</u> | <u>Lunda Community Park</u> |
|---|-------------------------|----------------------------|---------------------------------|---------------------------|------------------------------------|---|-------------------------------------|
| Assets | | | | | | | |
| Cash and investments | \$ 2,116,324 | \$ 667,156 | \$ 616,493 | \$ (66,765) | \$ 118,147 | \$ 91,488 | \$ 24,428 |
| Receivables (net) | | | | | | | |
| Taxes | 945,267 | 110,005 | - | 60,000 | - | - | 60,000 |
| Accounts | 53,932 | 48,229 | - | - | 6,110 | 32,343 | 4,073 |
| Loans | - | - | 75,536 | - | - | - | - |
| Due from other governments | 5,141 | - | - | - | - | - | - |
| Due from other funds | 1,440,787 | 20,028 | - | - | - | - | - |
| Prepaid items | 4,081 | - | - | - | - | - | - |
| | <u>4,081</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 4,565,532</u> | <u>\$ 845,418</u> | <u>\$ 692,029</u> | <u>\$ (6,765)</u> | <u>\$ 124,257</u> | <u>\$ 123,831</u> | <u>\$ 88,501</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 57,064 | \$ 20,709 | \$ - | \$ 706 | \$ 3,221 | \$ 12,433 | \$ 1,350 |
| Accrued liabilities | 28,840 | - | - | - | - | - | - |
| Unearned revenue | 10,000 | - | - | - | - | - | - |
| | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>95,904</u> | <u>20,709</u> | <u>-</u> | <u>706</u> | <u>3,221</u> | <u>12,433</u> | <u>1,350</u> |
| Deferred Inflows of Resources | | | | | | | |
| Unearned revenues | 932,794 | 110,005 | - | 60,000 | - | - | 60,000 |
| Unavailable revenues | - | - | 75,536 | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>75,536</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>932,794</u> | <u>110,005</u> | <u>75,536</u> | <u>60,000</u> | <u>-</u> | <u>-</u> | <u>60,000</u> |
| Fund Balances (Deficit) | | | | | | | |
| Nonspendable | 44,380 | - | - | - | - | - | - |
| Restricted | 117,848 | - | - | - | - | - | - |
| Assigned | 701,768 | 714,704 | 616,493 | - | 121,036 | 111,398 | 27,151 |
| Unassigned (deficit) | 2,672,838 | - | - | (67,471) | - | - | - |
| | <u>2,672,838</u> | <u>-</u> | <u>-</u> | <u>(67,471)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances (deficit) | <u>3,536,834</u> | <u>714,704</u> | <u>616,493</u> | <u>(67,471)</u> | <u>121,036</u> | <u>111,398</u> | <u>27,151</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 4,565,532</u> | <u>\$ 845,418</u> | <u>\$ 692,029</u> | <u>\$ (6,765)</u> | <u>\$ 124,257</u> | <u>\$ 123,831</u> | <u>\$ 88,501</u> |

City of Black River Falls

Combining Balance Sheet - General Fund

December 31, 2022

| | <u>Field of Honor</u> | <u>Fair Park Renovation</u> | <u>Jackson County Fair Park Maintenance</u> | <u>License Plate</u> | <u>Taxi Service</u> | <u>Total Combined General Fund</u> |
|---|------------------------|-----------------------------|---|-------------------------|--------------------------|------------------------------------|
| Assets | | | | | | |
| Cash and investments | \$ (948) | \$ 161,015 | \$ 54,429 | \$ 51,023 | \$ 62,884 | \$ 3,895,674 |
| Receivables (net) | | | | | | |
| Taxes | - | - | - | - | 50,000 | 1,225,272 |
| Accounts | 548 | - | - | - | - | 145,235 |
| Loans | - | - | - | - | - | 75,536 |
| Due from other governments | - | - | - | - | 34,643 | 39,784 |
| Due from other funds | - | - | - | - | - | 1,460,815 |
| Prepaid items | - | - | - | - | - | 4,081 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,081</u> |
| Total assets | <u>\$ (400)</u> | <u>\$ 161,015</u> | <u>\$ 54,429</u> | <u>\$ 51,023</u> | <u>\$ 147,527</u> | <u>\$ 6,846,397</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 25 | \$ - | \$ - | \$ 63 | \$ 1,500 | \$ 97,071 |
| Accrued liabilities | - | - | - | - | - | 28,840 |
| Unearned revenue | - | - | - | - | - | 10,000 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |
| Total liabilities | <u>25</u> | <u>-</u> | <u>-</u> | <u>63</u> | <u>1,500</u> | <u>135,911</u> |
| Deferred Inflows of Resources | | | | | | |
| Unearned revenues | - | - | - | - | 50,000 | 1,212,799 |
| Unavailable revenues | - | - | - | - | - | 75,536 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,536</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,000</u> | <u>1,288,335</u> |
| Fund Balances (Deficit) | | | | | | |
| Nonspendable | - | - | - | - | - | 44,380 |
| Restricted | - | 161,015 | - | - | - | 278,863 |
| Assigned | - | - | 54,429 | 50,960 | 96,027 | 2,493,966 |
| Unassigned (deficit) | (425) | - | - | - | - | 2,604,942 |
| | <u>(425)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,604,942</u> |
| Total fund balances (deficit) | <u>(425)</u> | <u>161,015</u> | <u>54,429</u> | <u>50,960</u> | <u>96,027</u> | <u>5,422,151</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ (400)</u> | <u>\$ 161,015</u> | <u>\$ 54,429</u> | <u>\$ 51,023</u> | <u>\$ 147,527</u> | <u>\$ 6,846,397</u> |

City of Black River Falls

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - General Fund
Year Ended December 31, 2022

| | General Fund | Fire Department | Economic Development | Aquatic Center | Jackson County Fair | Jackson County New Arena | Lunda Community Park |
|--|---------------------|--------------------|-------------------------|--------------------|---------------------------|--------------------------------|----------------------------|
| Revenues | | | | | | | |
| Taxes | \$ 914,726 | \$ 108,880 | \$ - | \$ 60,000 | \$ 29,334 | \$ 29,334 | \$ 64,557 |
| Intergovernmental | 1,440,348 | 13,061 | - | - | - | - | - |
| Licenses and permits | 92,645 | - | - | - | - | - | - |
| Fines, forfeitures and penalties | 15,554 | - | - | - | - | - | - |
| Public charges for services | 13,861 | - | - | 26,409 | 68,769 | 2,454 | 11,568 |
| Special assessments | 3,230 | - | - | - | - | - | - |
| Investment income | (10,262) | 905 | (1,194) | - | - | - | 475 |
| Miscellaneous | 107,867 | 105,857 | 25,015 | - | 15,998 | 84,517 | 21,715 |
| Total revenues | <u>2,577,969</u> | <u>228,703</u> | <u>23,821</u> | <u>86,409</u> | <u>114,101</u> | <u>116,305</u> | <u>98,315</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | 649,019 | - | - | - | - | - | - |
| Public safety | 736,358 | 228,184 | - | - | - | - | - |
| Public works | 941,157 | - | - | - | - | - | - |
| Health and human services | 10,170 | - | - | - | - | - | - |
| Culture, recreation and education | 599,067 | - | - | 129,531 | 75,799 | 92,167 | 73,917 |
| Conservation and development | 107,426 | - | 7,598 | - | - | - | - |
| Capital outlay | 16,034 | - | - | - | - | - | 16,129 |
| Total expenditures | <u>3,059,231</u> | <u>228,184</u> | <u>7,598</u> | <u>129,531</u> | <u>75,799</u> | <u>92,167</u> | <u>90,046</u> |
| Excess (deficiency) of revenues over expenditures | <u>(481,262)</u> | <u>519</u> | <u>16,223</u> | <u>(43,122)</u> | <u>38,302</u> | <u>24,138</u> | <u>8,269</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 631,020 | - | - | - | - | - | 3,330 |
| Transfers out | (3,330) | - | - | - | (15,000) | - | - |
| Sale of property and equipment | 17,185 | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>644,875</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(15,000)</u> | <u>-</u> | <u>3,330</u> |
| Net change in fund balance | 163,613 | 519 | 16,223 | (43,122) | 23,302 | 24,138 | 11,599 |
| Fund Balances (Deficit), Beginning | <u>3,373,221</u> | <u>714,185</u> | <u>600,270</u> | <u>(24,349)</u> | <u>97,734</u> | <u>87,260</u> | <u>15,552</u> |
| Fund Balances (Deficit), Ending | <u>\$ 3,536,834</u> | <u>\$ 714,704</u> | <u>\$ 616,493</u> | <u>\$ (67,471)</u> | <u>\$ 121,036</u> | <u>\$ 111,398</u> | <u>\$ 27,151</u> |

City of Black River Falls

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - General Fund
Year Ended December 31, 2022

| | Field of Honor | Fair Park Renovation | Jackson County Fair Park Maintenance | License Plate | Taxi Service | Eliminations | Total Combined General Fund |
|---|-----------------------|-----------------------------|---|----------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 40,000 | \$ - | \$ 1,246,831 |
| Intergovernmental | - | - | - | - | 176,121 | - | 1,629,530 |
| Licenses and permits | - | - | - | - | - | - | 92,645 |
| Fines, forfeitures and penalties | - | - | - | - | - | - | 15,554 |
| Public charges for services | - | - | - | 2,671 | - | - | 125,732 |
| Special assessments | - | - | - | - | - | - | 3,230 |
| Investment income | - | - | - | 273 | - | - | (9,803) |
| Miscellaneous | 548 | 1,280 | - | - | - | - | 362,797 |
| Total revenues | 548 | 1,280 | - | 2,944 | 216,121 | - | 3,466,516 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | 649,019 |
| Public safety | - | - | - | 5,300 | - | - | 969,842 |
| Public works | - | - | - | - | 269,685 | - | 1,210,842 |
| Health and human services | - | - | - | - | - | - | 10,170 |
| Culture, recreation and education | 425 | - | 15,667 | - | - | - | 986,573 |
| Conservation and development | - | - | - | - | - | - | 115,024 |
| Capital outlay | - | - | - | - | - | - | 32,163 |
| Total expenditures | 425 | - | 15,667 | 5,300 | 269,685 | - | 3,973,633 |
| Excess (deficiency) of revenues over expenditures | 123 | 1,280 | (15,667) | (2,356) | (53,564) | - | (507,117) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | - | - | 15,000 | - | - | (18,330) | 631,020 |
| Transfers out | - | - | - | - | - | 18,330 | - |
| Sale of property and equipment | - | - | - | - | - | - | 17,185 |
| Total other financing sources (uses) | - | - | 15,000 | - | - | - | 648,205 |
| Net change in fund balance | 123 | 1,280 | (667) | (2,356) | (53,564) | - | 141,088 |
| Fund Balances (Deficit), Beginning | (548) | 159,735 | 55,096 | 53,316 | 149,591 | - | 5,281,063 |
| Fund Balances (Deficit), Ending | \$ (425) | \$ 161,015 | \$ 54,429 | \$ 50,960 | \$ 96,027 | \$ - | \$ 5,422,151 |

City of Black River Falls Municipal Utilities

Required Bond Disclosures

Year Ended December 31, 2022

Insurance Coverage

| Description | Amount of Coverage | Coverage Dates | Name of Insurer |
|--|--------------------|-----------------|---|
| Property | \$ 49,100,000 | 1/1/22 - 1/1/23 | Municipal Property Insurance Fund |
| Personal Property | 4,108,800 | 1/1/22 - 1/1/23 | Municipal Property Insurance Fund |
| Property in the Open | 4,434,800 | 1/1/22 - 1/1/23 | Municipal Property Insurance Fund |
| Hydro-Electric Plant | 7,889,500 | 1/1/22 - 1/1/23 | Municipal Property Insurance Fund |
| Contractor's Equipment | 2,830,552 | 1/1/22 - 1/1/23 | Municipal Property Insurance Fund |
| Equipment Breakdown | 50,000,000 | 1/1/22 - 1/1/23 | Hartford Steam Boiler & Insurance Company |
| Auto Liability | 3,000,000 | 1/1/22 - 1/1/23 | League of Wisconsin Municipalities Mutual |
| Workers Compensation / Employer Liability | 2,000,000 | 1/1/22 - 1/1/23 | League of Wisconsin Municipalities Mutual & United Heartland |

Number of Connections

| User Classification | Electric |
|---------------------|----------|
| Residential | 2,227 |
| Commercial | 559 |
| Public Authority | 14 |
| Standby | - |

OTHER REPORTS

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the City Council of
City of Black River Falls

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City of Black River Falls (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 May 31, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002, that we consider to be material weaknesses.

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*.

The City's Response to Findings

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 responses. 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 it.

Purpose of This Report

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

Baker Tilly US, LLP

Eau Claire, Wisconsin
May 31, 2023

City of Black River Falls

Schedule of Findings and Responses
Year Ended December 31, 2022

Financial Statement Findings Required to be Reported in Accordance With Government Auditing Standards

Finding 2022-001: Internal Control Over Financial Reporting

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

Condition: There is a lack of controls over the year-end financial reporting process. Material journal entries were discovered during the course of the audit and we, as your auditors, prepared the City of Black River Falls' (City) financial statements and schedule of expenditures of federal and state awards.

Cause: The City has chosen to have the auditors prepare its annual financial statements.

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

Recommendation: The City should develop a plan to ensure that all material year-end adjustments are recorded by city staff prior to audit fieldwork. Many small governments operate with only enough staff to process monthly transactions and reports and will continue to rely on outside consultants to handle year-end financial reporting. Management and the City Council should continue to make a reasonable effort to be knowledgeable about the City's financial condition and financial reporting requirements.

Management's Response/Planned Corrective Action: Because of its size, the City does not feel it is cost effective to hire an employee(s) with the experience and technical training to prepare its financial statements. The City will make every effort to reduce the number of journal entries made by the auditors at the end of the year.

Finding 2022-002: Internal Control Environment

Criteria: A system of internal controls should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff and to provide reasonable assurance that individuals have access to only one phase of the accounting process.

Condition: There is a lack of controls over accounts payable/disbursements, payroll, property taxes, utility billing, utility plant accounting and period close transaction cycles, primarily due to a lack of segregation of duties in the accounting functions.

Cause: The City has not assigned duties to have the appropriate controls in place.

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

Recommendation: Most of the key controls lacking for these transaction cycles are not possible to cure without adding staff. The City Council should rely more heavily on their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets. The City Council should also continue to make a reasonable effort to be knowledgeable about the City's key transaction cycles.

City of Black River Falls

Schedule of Findings and Responses
Year Ended December 31, 2022

Management's Response/Planned Corrective Action: The City is aware of our lack of controls over accounts payable/disbursements, payroll, property taxes, utility billing, utility plant accounting and period close. Because of our size, we do not feel it is cost effective to hire the number of employees needed to cure these internal control deficiencies.