

PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2024

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants of the City, interest to be paid on the Notes is not includable in gross income of the recipient for federal income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "Tax Exemption" herein for a more detailed discussion. The interest on the Notes is not exempt from present Wisconsin income or franchise tax.

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Non-Rated

CITY OF WASHBURN, WISCONSIN (Bayfield County)

\$3,135,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A

BID OPENING: May 13, 2024, 9:30 A.M., C.T.

CONSIDERATION: May 13, 2024, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,135,000* General Obligation Promissory Notes, Series 2024A (the "Notes") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City of Washburn, Wisconsin (the "City"), for public purposes, including 2024 Parks, Streets, City Code Codification, and to purchase Public Works Equipment and a Fire Truck. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

DATE OF NOTES: June 4, 2024

MATURITY: June 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$140,000	2032	\$135,000	2039	\$150,000
2026	225,000	2033	145,000	2040	165,000
2027	240,000	2034	155,000	2041	165,000
2028	125,000	2035	130,000	2042	175,000
2029	125,000	2036	135,000	2043	185,000
2030	130,000	2037	140,000	2044	195,000
2031	130,000	2038	145,000		

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: June 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing on June 1, 2033 and thereafter are subject to call for prior optional redemption on June 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM BID: \$3,095,813.

MAXIMUM BID: \$3,448,500.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$62,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Fryberger, Buchanan, Smith & Frederick, P.A..

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Notes.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Notes in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p>THE NOTES..... 1</p> <p style="padding-left: 20px;">GENERAL..... 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION..... 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE..... 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES..... 2</p> <p style="padding-left: 20px;">SECURITY..... 2</p> <p style="padding-left: 20px;">RATING..... 3</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE..... 3</p> <p style="padding-left: 20px;">LEGAL MATTERS..... 4</p> <p style="padding-left: 20px;">TAX EXEMPTION..... 4</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS..... 5</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR..... 5</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES..... 5</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS..... 5</p> <p style="padding-left: 20px;">RISK FACTORS..... 6</p> <p>VALUATIONS..... 8</p> <p style="padding-left: 20px;">WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES..... 8</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS..... 9</p> <p style="padding-left: 20px;">2023 EQUALIZED VALUE BY CLASSIFICATION..... 9</p> <p style="padding-left: 20px;">TREND OF VALUATIONS..... 9</p> <p style="padding-left: 20px;">LARGER TAXPAYERS..... 10</p> <p>DEBT..... 10</p> <p style="padding-left: 20px;">DIRECT DEBT..... 10</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY..... 11</p> <p style="padding-left: 20px;">FUTURE FINANCING..... 11</p> <p style="padding-left: 20px;">DEBT LIMIT..... 11</p> <p style="padding-left: 20px;">SCHEDULE OF GENERAL OBLIGATION DEBT..... 12</p> <p style="padding-left: 20px;">SCHEDULE OF SEWER AND WATER REVENUE DEBT..... 13</p> <p style="padding-left: 20px;">SCHEDULE OF SEWER REVENUE DEBT..... 14</p> <p style="padding-left: 20px;">SCHEDULE OF WATER REVENUE DEBT..... 15</p> <p style="padding-left: 20px;">OVERLAPPING DEBT..... 16</p> <p style="padding-left: 20px;">DEBT RATIOS..... 16</p>	<p>TAX LEVIES AND COLLECTIONS..... 17</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS..... 17</p> <p style="padding-left: 20px;">PROPERTY TAX RATES..... 18</p> <p style="padding-left: 20px;">LEVY LIMITS..... 18</p> <p style="padding-left: 20px;">REVENUE FROM THE STATE..... 19</p> <p>THE ISSUER..... 20</p> <p style="padding-left: 20px;">CITY GOVERNMENT..... 20</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS..... 20</p> <p style="padding-left: 20px;">OTHER POST EMPLOYMENT BENEFITS..... 21</p> <p style="padding-left: 20px;">LITIGATION..... 21</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY..... 22</p> <p style="padding-left: 20px;">FUNDS ON HAND..... 22</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS..... 23</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION..... 24</p> <p>GENERAL INFORMATION..... 25</p> <p style="padding-left: 20px;">LOCATION..... 25</p> <p style="padding-left: 20px;">LARGER EMPLOYERS..... 25</p> <p style="padding-left: 20px;">BUILDING PERMITS..... 26</p> <p style="padding-left: 20px;">U.S. CENSUS DATA..... 27</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA..... 27</p> <p>FINANCIAL STATEMENTS..... A-1</p> <p>FORM OF LEGAL OPINION..... B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM..... C-1</p> <p>FORM OF CONTINUING DISCLOSURE CERTIFICATE... D-1</p> <p>NOTICE OF SALE..... E-1</p> <p>BID FORM</p>
---	---

**CITY OF WASHBURN
COMMON COUNCIL**

		<u>Term Expires</u>
Mary Motiff	Mayor	April 2026
Dave Anderson	Aldersperson	April 2026
Jennifer Maziasz	Aldersperson	April 2026
Darren Miller	Aldersperson	April 2026
Thomas Neimes Jr.	Aldersperson	April 2025
Tracey Snyder	Aldersperson	April 2025
Jared Trimbo	Aldersperson	April 2025

ADMINISTRATION

Scott Kluver, City Administrator/Clerk and Treasurer
Tammy DeMars, Treasurer

PROFESSIONAL SERVICES

Anich, Wickman & Lindsey, S.C., City Attorney, Ashland, Wisconsin
Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota
Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Washburn, Wisconsin (the "City") and the issuance of its \$3,135,000* General Obligation Promissory Notes, Series 2024A (the "Notes"). Any descriptions or summaries of the Notes, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Notes to be included in the resolution authorizing the issuance and sale of the Notes ("Award Resolution") to be adopted by the Common Council on May 13, 2024.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE NOTES

GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 4, 2024. The Notes will mature on June 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on June 1 and December 1 of each year, commencing June 1, 2025, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after June 1, 2033 shall be subject to optional redemption prior to maturity on June 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including 2024 Parks, Streets, City Code Codification, and to purchase Public Works Equipment and a Fire Truck.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Notes	<u>\$3,135,000</u>	
Total Sources		\$3,135,000
Uses		
Total Underwriter's Discount (1.250%)	\$39,188	
Costs of Issuance	50,200	
Deposit to Project Construction Fund	3,043,856	
Rounding Amount	<u>1,757</u>	
Total Uses		\$3,135,000

*Preliminary, subject to change.

SECURITY

For the prompt payment of the Notes with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Notes when it becomes due and also to pay and discharge the principal on the Notes at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

RATING

None of the outstanding indebtedness of the City is currently rated, and the City has not requested a rating on the Notes.

A rating for the Notes may not be requested without contacting Ehlers and receiving the permission of the City.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL MATTERS

Legal matters incident to the issuance and sale of the Notes and with regard to the tax-exempt status of interest on the Notes under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Notes is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Notes or receipt of interest on the Notes. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including without limitation, the determination of gain or loss on the sale of a bond, the calculation of alternative minimum tax liability; the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Notes, and applicable state and local tax rules.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel, based on present federal laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain tax covenants, interest to be paid on the Notes is excluded from gross income for purposes of federal income taxation. Interest on the Notes is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Notes in order that interest on the Notes be and remain excludable from federal gross income. These requirements include, but are not limited to, provisions regarding the use of bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Notes to be includable in federal gross income retroactively to their date of issue. Compliance with the City's tax covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Notes from federal gross income. No provision has been made for redemption of or for an increase in the interest rate on the Notes in the event that interest on the same becomes includable in federal gross income.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax exempt status of interest on the Notes or the tax consequences of ownership of the Notes. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly affect the exclusion of the interest on the Notes from gross income for federal income tax purposes.

The interest on the Notes is not exempt from present Wisconsin income or franchise tax.

Proposed Federal Legislation

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal if enacted could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes. Prospective purchasers of Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending litigation or proposed federal tax legislation.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2022 have been audited by Eagle Audit & Accounting, LLC, Park Falls, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Notes will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Notes. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Interest Rates: In the future, interest rates for this type of obligation may rise generally, possibly resulting in a reduction in the value of the Notes for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Notes may fall for purposes of resale. Noncompliance by the City with the covenants in the Authorizing Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Notes in the secondary market.

Secondary Market for the Notes: No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Notes. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS

2023 Equalized Value	\$173,292,200
2023 Equalized Value Reduced by Tax Increment Valuation	\$154,282,800
2023 Assessed Value	\$180,130,800

2023 EQUALIZED VALUE BY CLASSIFICATION

	2023 Equalized Value¹	Percent of Total Equalized Value
Residential	\$149,026,000	85.997%
Commercial	22,160,900	12.788%
Manufacturing	1,089,200	0.629%
Agricultural	6,100	0.004%
Undeveloped	8,200	0.005%
Forest	101,200	0.058%
Other	86,700	0.050%
Personal Property	<u>813,900</u>	<u>0.470%</u>
Total	<u><u>\$173,292,200</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value¹	Percent Increase/Decrease in Equalized Value
2019	\$117,718,800	\$132,071,800	7.31%
2020	118,367,000	134,787,300	2.06%
2021	119,707,400	149,115,300	10.63%
2022	120,788,700	154,969,400	3.93%
2023	180,130,800	173,292,200	11.82%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2023 Equalized Value ¹	Percent of City's Total Equalized Value
Keng Enterprise LLC	Grocery store	\$1,915,124	1.11%
Individual	Residential	1,820,075	1.05%
Individual	Residential	1,546,953	0.89%
WWS LLC	Boat Storage	1,230,443	0.71%
Bayfield Properties LLC	Maintenance	951,742	0.55%
Washburn Iron Works	Manufacturing	942,121	0.54%
Birch Haven North LLC	Assisted Living	853,710	0.49%
Lindsey Leases LLC	Rental Properties	844,956	0.49%
Individual	Residential	802,241	0.46%
Individual	Residential	<u>776,940</u>	<u>0.45%</u>
Total		\$11,684,307	6.74%
City's Total 2023 Equalized Value ²		\$173,292,200	

Source: The City.

DEBT

DIRECT DEBT³

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes)*	<u><u>\$3,925,481</u></u>
---	---------------------------

Revenue Debt (see schedules following)

Total revenue debt secured by sewer and water revenues	<u><u>\$5,970,890</u></u>
--	---------------------------

Total revenue debt secured by sewer revenues	<u><u>\$73,306</u></u>
--	------------------------

Total revenue debt secured by water revenues	<u><u>\$89,833</u></u>
--	------------------------

*Preliminary, subject to change.

¹ Calculated by dividing the 2023 Assessed Values by the 2023 Aggregate Ratio of assessment for the City.

² Includes tax increment valuation.

³ Outstanding debt is as of the dated date of the Notes.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City plans to issue approximately \$1,000,000 general obligation debt as interim financing prior to issuing approximately \$1,115,250 for sewer projects and approximately \$1,508,700 general obligation debt, both through the State of Wisconsin Safe Drinking Water and Clean Water Fund loan programs in the next 12 months, subject to their approval.

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$173,292,200
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$8,664,610
Less: General Obligation Debt*	<u>(3,925,481)</u>
Unused Debt Limit*	<u><u>\$4,739,129</u></u>

*Preliminary, subject to change.

City of Washburn, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/04/2024)

Dated Amount	Promissory Note		State Trust Fund Loan		Promissory Note Series 2020A		Taxable Promissory Notes Series 2020B		Promissory Notes Series 2024A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	11/10/2014 \$500,000		08/27/2019 \$169,000		05/01/2020 \$1,059,000		05/01/2020 \$417,000		06/04/2024 \$3,135,000*							
Maturity	11/10		03/15		05/01		03/15		06/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest						
2024	57,606	1,903	0	0	0	0	0	0	0	0	57,606	1,903	59,509	3,867,875	1.47%	2024
2025			6,788	5,435	61,000	6,728	53,000	5,869	140,000	196,405	260,788	214,438	475,225	3,607,088	8.11%	2025
2026			7,059	5,164	64,000	5,643	54,000	4,449	225,000	123,213	350,059	138,467	488,526	3,257,028	17.03%	2026
2027			7,341	4,881	65,000	4,503	55,000	3,002	240,000	114,033	367,341	126,419	493,760	2,889,687	26.39%	2027
2028			7,623	4,600	68,000	3,346	57,000	1,528	125,000	106,978	257,623	116,452	374,074	2,632,065	32.95%	2028
2029			7,940	4,283	66,000	2,136			125,000	102,259	198,940	108,677	307,617	2,433,124	38.02%	2029
2030			8,258	3,965	54,000	961			130,000	97,478	192,258	102,404	294,661	2,240,867	42.91%	2030
2031			8,588	3,635					130,000	92,603	138,588	96,237	234,825	2,102,279	46.45%	2031
2032			8,922	3,300					135,000	87,634	143,922	90,934	234,856	1,958,357	50.11%	2032
2033			9,288	2,934					145,000	82,348	154,288	85,282	239,570	1,804,068	54.04%	2033
2034			9,660	2,563					155,000	76,648	164,660	79,210	243,870	1,639,408	58.24%	2034
2035			10,046	2,176					130,000	71,070	140,046	73,246	213,293	1,499,362	61.80%	2035
2036			10,443	1,779					135,000	65,603	145,443	67,382	212,825	1,353,919	65.51%	2036
2037			10,866	1,357					140,000	59,758	150,866	61,114	211,980	1,203,053	69.35%	2037
2038			11,300	922					145,000	53,485	156,300	54,407	210,708	1,046,753	73.33%	2038
2039			11,753	470					150,000	46,773	161,753	47,243	208,995	885,000	77.45%	2039
2040									165,000	39,404	165,000	39,404	204,404	720,000	81.66%	2040
2041									165,000	31,484	165,000	31,484	196,484	555,000	85.86%	2041
2042									175,000	23,195	175,000	23,195	198,195	380,000	90.32%	2042
2043									185,000	14,329	185,000	14,329	199,329	195,000	95.03%	2043
2044									195,000	4,875	195,000	4,875	199,875	0	100.00%	2044
	57,606	1,903	135,875	47,464	378,000	23,318	219,000	14,847	3,135,000	1,489,569	3,925,481	1,577,101	5,502,582			

* Preliminary, subject to change.

City of Washburn, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer and Water Revenues
(As of 06/04/2024)

Dated Amount	Sewer & Water System Refunding Bonds Series 2018A		Sewer & Water System Revenue Bonds Series 2018B		Sewer & Water System Revenue Bonds Series 2018C							Calendar Year Ending
	10/15/2018 \$1,820,000		11/12/2018 \$3,160,768		11/12/2018 \$2,194,311							
Maturity	05/01		05/01		05/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	24,815	0	58,020	0	40,280	0	123,115	123,115	5,970,890	.00%	2024
2025	90,000	47,970	82,245	114,293	57,097	79,346	229,342	241,609	470,951	5,741,548	3.84%	2025
2026	95,000	44,557	85,816	110,722	59,576	76,867	240,393	232,145	472,538	5,501,156	7.87%	2026
2027	100,000	40,959	89,542	106,996	62,163	74,280	251,706	222,234	473,940	5,249,450	12.08%	2027
2028	100,000	37,269	93,431	103,107	64,863	71,581	258,293	211,957	470,250	4,991,157	16.41%	2028
2029	105,000	33,487	97,488	99,050	67,679	68,764	270,167	201,301	471,468	4,720,990	20.93%	2029
2030	110,000	29,520	101,721	94,817	70,618	65,825	282,339	190,162	472,501	4,438,651	25.66%	2030
2031	115,000	25,369	106,138	90,400	73,684	62,759	294,822	178,528	473,350	4,143,829	30.60%	2031
2032	120,000	21,033	110,747	85,791	76,884	59,559	307,631	166,384	474,014	3,836,198	35.75%	2032
2033	120,000	16,605	115,556	80,982	80,223	56,221	315,778	153,808	469,586	3,520,420	41.04%	2033
2034	125,000	12,085	120,573	75,965	83,706	52,737	329,279	140,787	470,066	3,191,140	46.56%	2034
2035	130,000	7,380	125,809	70,729	87,341	49,102	343,150	127,212	470,361	2,847,991	52.30%	2035
2036	135,000	2,491	131,272	65,266	91,133	45,310	357,405	113,067	470,472	2,490,585	58.29%	2036
2037			136,972	59,566	95,091	41,353	232,063	100,919	332,981	2,258,523	62.17%	2037
2038			142,920	53,618	99,220	37,224	242,140	90,842	332,981	2,016,383	66.23%	2038
2039			149,126	47,412	103,528	32,915	252,654	80,327	332,981	1,763,729	70.46%	2039
2040			155,601	40,937	108,024	28,420	263,625	69,356	332,981	1,500,104	74.88%	2040
2041			162,358	34,180	112,714	23,729	275,072	57,909	332,981	1,225,032	79.48%	2041
2042			169,408	27,130	117,609	18,835	287,016	45,965	332,981	938,016	84.29%	2042
2043			176,764	19,774	122,716	13,728	299,480	33,502	332,981	638,536	89.31%	2043
2044			184,440	12,098	128,044	8,399	312,484	20,498	332,981	326,053	94.54%	2044
2045			192,448	4,090	133,604	2,839	326,053	6,929	332,981	0	100.00%	2045
	1,345,000	343,539	2,730,373	1,454,945	1,895,517	1,010,071	5,970,890	2,808,555	8,779,446			

City of Washburn, Wisconsin
 Schedule of Bonded Indebtedness
 Revenue Debt Secured by Sewer Revenues
 (As of 06/04/2024)

Sewer System "B" Bonds
 Series 2005B

Dated Amount	05/12/2005 \$142,947
Maturity	05/12

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	3,665	3,116	3,665	3,116	6,781	69,641	5.00%	2025
2026	3,665	2,960	3,665	2,960	6,625	65,975	10.00%	2026
2027	3,665	2,804	3,665	2,804	6,469	62,310	15.00%	2027
2028	3,665	2,648	3,665	2,648	6,313	58,645	20.00%	2028
2029	3,665	2,492	3,665	2,492	6,158	54,980	25.00%	2029
2030	3,665	2,337	3,665	2,337	6,002	51,314	30.00%	2030
2031	3,665	2,181	3,665	2,181	5,846	47,649	35.00%	2031
2032	3,665	2,025	3,665	2,025	5,690	43,984	40.00%	2032
2033	3,665	1,869	3,665	1,869	5,535	40,318	45.00%	2033
2034	3,665	1,714	3,665	1,714	5,379	36,653	50.00%	2034
2035	3,665	1,558	3,665	1,558	5,223	32,988	55.00%	2035
2036	3,665	1,402	3,665	1,402	5,067	29,322	60.00%	2036
2037	3,665	1,246	3,665	1,246	4,912	25,657	65.00%	2037
2038	3,665	1,090	3,665	1,090	4,756	21,992	70.00%	2038
2039	3,665	935	3,665	935	4,600	18,326	75.00%	2039
2040	3,665	779	3,665	779	4,444	14,661	80.00%	2040
2041	3,665	623	3,665	623	4,288	10,996	85.00%	2041
2042	3,665	467	3,665	467	4,133	7,331	90.00%	2042
2043	3,665	312	3,665	312	3,977	3,665	95.00%	2043
2044	3,665	156	3,665	156	3,821	0	100.00%	2044
	73,306	32,713	73,306	32,713	106,019			

City of Washburn, Wisconsin
 Schedule of Bonded Indebtedness
 Revenue Debt Secured by Water Revenues
 (As of 06/04/2024)

Water System "B" Bonds
 2005

Dated Amount	05/12/2005 \$175,175	
Maturity	05/12	
Calendar Year Ending	Principal	Interest
2025	4,492	3,818
2026	4,492	3,627
2027	4,492	3,436
2028	4,492	3,245
2029	4,492	3,054
2030	4,492	2,863
2031	4,492	2,673
2032	4,492	2,482
2033	4,492	2,291
2034	4,492	2,100
2035	4,492	1,909
2036	4,492	1,718
2037	4,492	1,527
2038	4,492	1,336
2039	4,492	1,145
2040	4,492	954
2041	4,492	764
2042	4,492	573
2043	4,492	382
2044	4,492	191
	89,833	40,088

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
4,492	3,818	8,310	85,342	5.00%	2025
4,492	3,627	8,119	80,850	10.00%	2026
4,492	3,436	7,928	76,358	15.00%	2027
4,492	3,245	7,737	71,867	20.00%	2028
4,492	3,054	7,546	67,375	25.00%	2029
4,492	2,863	7,355	62,883	30.00%	2030
4,492	2,673	7,164	58,392	35.00%	2031
4,492	2,482	6,973	53,900	40.00%	2032
4,492	2,291	6,782	49,408	45.00%	2033
4,492	2,100	6,592	44,917	50.00%	2034
4,492	1,909	6,401	40,425	55.00%	2035
4,492	1,718	6,210	35,933	60.00%	2036
4,492	1,527	6,019	31,442	65.00%	2037
4,492	1,336	5,828	26,950	70.00%	2038
4,492	1,145	5,637	22,458	75.00%	2039
4,492	954	5,446	17,967	80.00%	2040
4,492	764	5,255	13,475	85.00%	2041
4,492	573	5,064	8,983	90.00%	2042
4,492	382	4,873	4,492	95.00%	2043
4,492	191	4,682	0	100.00%	2044
89,833	40,088	129,921			

OVERLAPPING DEBT¹

Taxing District	Equalized Value²	% In City	Total G.O. Debt³	City's Proportionate Share
Bayfield County	\$3,753,502,200	4.6168%	\$1,295,000	\$59,788
Washburn School District	479,827,847	36.1155%	599,300	216,440
Northwood Technical College	56,148,120,853	0.3086%	36,820,000	<u>113,627</u>
City's Share of Total Overlapping Debt				<u><u>\$389,854</u></u>

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$173,292,200	Debt/ Per Capita 1,986⁴
Total General Obligation Debt*	\$3,925,481	2.27%	\$1,976.58
City's Share of Total Overlapping Debt	<u>389,854</u>	<u>0.23%</u>	<u>\$196.30</u>
Total*	\$4,315,335	2.49%	\$2,172.88

*Preliminary, subject to change.

¹ Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

² Includes tax increment valuation.

³ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

⁴ Estimated 2023 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2019/20	\$1,077,124	100%	\$8.88
2020/21	1,079,886	100%	8.75
2021/22	1,091,011	100%	8.07
2022/23	1,294,252	100%	9.25
2023/24	1,296,601	In Process	8.40

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year. The personal property tax has been repealed, starting with the property tax assessments as of January 1, 2024. Beginning in 2025, the personal property tax has been replaced with a payment from the State intended to replace the amount of property taxes imposed on personal property for the property tax assessments as of January 1, 2023.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Total
2019/20	\$9.69	\$4.04	\$8.88	\$22.60
2020/21	8.39	4.02	8.75	21.15
2021/22	7.59	3.78	8.07	19.43
2022/23	6.22	3.66	9.25	19.14
2023/24	6.06	3.39	8.40	17.86

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent; for a tax incremental district created after December 31, 2024, the valuation factor includes 90% of the equalized value increase due to new construction that is located in a tax incremental district, but does not include any improvements removed in a tax incremental district). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

¹ The Schools tax rate reflects the composite rate of all local school districts and technical college district.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other adjustments to and exclusions from the tax levy limit. Among the exclusions, Section 66.0602(3)(e)5. of the Wisconsin Statutes provides that the levy limit does not apply to "the amount that a political subdivision levies in that year to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 by that political subdivision." Recent positions taken by the Wisconsin Department of Revenue ("DOR") call into question the availability of this exception if the revenue shortfall is planned or ongoing. To date, such DOR positions have not been expressed formally in a declaratory ruling under Section 227.41(5)(a) of the Wisconsin Statutes, nor have they been the subject of any court challenge or resulting court ruling.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Notes.

REVENUE FROM THE STATE

In addition to local property taxes described above, a number of state programs exist which provide revenue to the City. One such program is commonly known as shared revenue which, pursuant to sec. 79.036, Wis. Stats., provides funding to the City that can be used for any public purpose. 2023 Wisconsin Act 12 ("Act 12") created a supplement to shared revenue, with payments to the City beginning in 2024. This supplemental shared revenue may be used only for the purposes specified in section 79.037, Wis. Stats. In 2024, the City is expected to receive approximately \$752,114 in shared revenue and supplemental shared revenue from the State, an increase from the approximately \$626,762 received in 2023. In future years, the amount of supplemental shared revenue could grow if State sales tax collections grow.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1904 and is governed by a Mayor and a seven-member Common Council. All Council Members are elected to two-year terms and the Mayor is elected to a four-year term. The appointed City Administrator/Clerk and Treasurer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 20 full-time, five (5) part-time, and two (2) seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2020 ("Fiscal Year 2020"), the fiscal year ended December 31, 2021 ("Fiscal Year 2021") and the fiscal year ended December 31, 2022 ("Fiscal Year 2022"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$148,318, \$144,480 and \$151,953 respectively.

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2022, the total pension liability of the WRS was calculated as \$123.7 billion and the fiduciary net position of the WRS was calculated as \$118.4 billion, resulting in a net pension liability of \$5.3 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension asset of the pension plan. Accordingly, for Fiscal Year 2022, the City reported an asset of \$565,132 for its proportionate share of the net pension asset of the WRS. The net pension asset was measured as of December 31, 2021 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.00701141% of the aggregate WRS net pension asset as of December 31, 2021.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represents employees of the City:

Bargaining Unit	Expiration Date of Current Contract
WPPA (Police)	December 31, 2026

OTHER POST EMPLOYMENT BENEFITS

The City does not provide retired employees with post-employment benefits.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

FUNDS ON HAND (as of February 29, 2024)

Fund	Total Cash and Investments
General	\$1,395,936
Special Revenue	1,784,641
Debt Service	364,357
Capital Projects	540,727
Enterprise Funds	463,220
Enterprise Special Revenue	<u>930,077</u>
 Total Funds on Hand	 <u><u>\$5,478,958</u></u>

ENTERPRISE FUNDS

Revenues available for debt service for the City's enterprise funds have been as follows as of December 31 each year:

	2020 Audited	2021 Audited	2022 Audited
Water			
Total Operating Revenues	\$464,859	\$477,986	\$475,453
Less: Operating Expenses	<u>(376,073)</u>	<u>(384,755)</u>	<u>(364,997)</u>
Operating Income	\$88,786	\$93,231	\$110,456
Plus: Depreciation	180,223	183,425	186,437
Interest Income	<u>3,224</u>	<u>1,189</u>	<u>2,235</u>
Revenues Available for Debt Service	<u><u>\$272,233</u></u>	<u><u>\$277,845</u></u>	<u><u>\$299,128</u></u>
Sewer			
Total Operating Revenues	\$567,967	\$586,314	\$591,877
Less: Operating Expenses	<u>(520,688)</u>	<u>(481,732)</u>	<u>(519,316)</u>
Operating Income	\$47,279	\$104,582	\$72,561
Plus: Depreciation	258,616	262,409	266,361
Interest Income	<u>3,793</u>	<u>1,214</u>	<u>2,624</u>
Revenues Available for Debt Service	<u><u>\$309,688</u></u>	<u><u>\$368,205</u></u>	<u><u>\$341,546</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited ¹	2024 Adopted Budget ²
Revenues					
Taxes	\$501,612	\$475,254	\$479,697	\$685,253	\$692,350
Intergovernmental revenues	946,496	893,735	895,015	891,824	1,009,090
Licenses and permits	38,665	42,454	51,909	48,729	38,250
Fines, forfeitures and revenues	8,008	7,457	9,644	8,485	7,750
Public charges for services	584,204	645,601	561,269	668,395	614,600
Intergovernmental charges for services	187,485	239,111	197,099	214,401	212,574
Commercial	38,670	44,050	37,429	113,329	27,500
Other tax	80,706	114,757	117,535	115,953	112,030
Total Revenues	\$2,385,846	\$2,462,419	\$2,349,597	\$2,746,369	\$2,714,144
Expenditures					
Current:					
General government	\$472,559	\$502,360	\$469,471	\$555,005	\$549,562
Public safety	770,970	758,011	774,826	918,183	1,153,232
Public works	543,134	580,304	619,008	709,738	676,174
Health and human services	40,506	42,286	42,481	44,316	63,957
Culture, recreation and education	391,071	468,579	443,201	449,284	511,411
Conservation and development	8,576	3,595	14,753	7,029	25,679
Capital outlay	0	0	9,776	0	0
Debt service	3,400	400	3,000	0	3,600
Total Expenditures	\$2,230,216	\$2,355,535	\$2,376,516	\$2,683,555	\$2,983,615
Excess of revenues over (under) expenditures	\$155,630	\$106,884	(\$26,919)	\$62,814	(\$269,471)
Other Financing Sources (Uses)					
Transfers in	\$0	\$0	\$0	\$0	\$2,500
Transfers (out)	0	0	0	0	0
Total Other Financing Sources (Uses)	\$0	\$0	\$0		\$2,500
Net changes in Fund Balances	\$155,630	\$106,884	(\$26,919)	\$62,814	(\$266,971)
General Fund Balance January 1	1,333,811	1,489,441	1,596,325	1,569,406	1,632,220
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	(264,471)
General Fund Balance December 31	\$1,489,441	\$1,596,325	\$1,569,406	\$1,632,220	\$1,367,749
DETAILS OF DECEMBER 31 FUND BALANCE					
Unassigned	\$1,489,441	\$1,596,325	\$1,569,406	\$1,632,220	\$1,367,749
Total	\$1,489,441	\$1,596,325	\$1,569,406	\$1,632,220	\$1,367,749

¹ Unaudited is as of April 22, 2024.

² The 2024 budget was adopted on December 11, 2023. The City levied \$1,296,601 to fund the 2024 General Fund, Debt Service Fund, and Capital Improvement Fund Budgets. The total budget requires the use of \$264,471 in Residual Equity Transfer (Unassigned Fund Balance). The use of the \$264,471 is listed above as being applied to fund General Fund expenditures to acknowledge the budgeted use for 2024. The City may choose to apply the use of fund balance for 2024 Capital Improvement projects as opposed to General Fund expenditures.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 2,051 and a 2023 estimated population of 1,986, comprises an area of 4 square miles or acres and is located approximately 65 miles east of Superior, Wisconsin.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Bayfield County	County government and services	217
Washburn School District	Elementary and secondary education	159
Northern Lights Services, Inc.	Nursing home and assisted living	100
Washburn Iron Works, Inc.	Metal castng	45
US Forestry Department	RV parks/campgrounds	36
City of Washburn	Municipal government and services	27
Coco Artisan Bread	Bakers-retail	26
Time Out Restaurant	Restaurant	12
Oaks Assisted Living	Residential care homes	12
Midland Services Inc.	Energy Cooperative	11

Source: Data Axle Reference Solutions, written and telephone survey, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS (as of April 22, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	2	2	0	3	0
Valuation	\$675,758	\$260,000	\$0	\$983,170	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	0	0	0	1	1
Valuation	\$0	\$0	\$0	\$1,633,150	\$1,624,237
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	98	99	100	98	28
Valuation	\$1,920,674	\$2,175,813	\$3,002,625	\$3,726,009	\$4,005,037

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census Population	2,117
2020 U.S. Census Population	2,051
Percent of Change 2010 - 2020	-3.12%
2023 Estimated Population	1,986

Income and Age Statistics

	The City	Bayfield County	State of Wisconsin	United States
2022 per capita income	\$34,893	\$39,449	\$40,130	\$41,261
2022 median household income	\$56,080	\$67,266	\$72,458	\$75,149
2022 median family income	\$76,500	\$78,596	\$92,974	\$92,646
2022 median gross rent	\$780	\$828	\$992	\$1,268
2022 median value owner occupied units	\$155,900	\$214,700	\$231,400	\$281,900
2022 median age	48.1 yrs.	53.6 yrs.	39.9 yrs.	38.5 yrs.
		State of Wisconsin	United States	
City % of 2022 per capita income		86.95%	84.57%	
City % of 2022 median family income		82.28%	82.57%	

Housing Statistics

	<u>The City</u>		
	2020	2021	Percent of Change
All Housing Units	1,059	1,001	-5.48%

Source: 2010 and 2020 Census of Population and Housing, Wisconsin Demographic Services Center (https://doa.wi.gov/Pages/LocalGovtsGrants/Population_Estimates.aspx) and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Bayfield County	Bayfield County	State of Wisconsin	
2020	6,852	9.4%	6.4%	
2021	7,092	5.9%	3.9%	
2022	7,034	4.8%	2.9%	
2023	7,070	4.5%	3.0%	¹
2024, March	6,814	6.2%	3.5%	

Source: Wisconsin Department of Workforce Development.

¹ Preliminary.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF WASHBURN

Washburn, Wisconsin

Independent Auditor's Report

With Financial Statements

YEAR ENDED DECEMBER 31, 2022

EAGLE AUDIT & ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS
PARK FALLS, WISCONSIN

City of Washburn, WI
 Report on Basic Financial Statements
 With Supplemental Information

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	A-I
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	5
Statement of Activities.....	6
Fund Financial Statements	
<u>Governmental Funds</u>	
Balance Sheet.....	7
Reconciliation of the Government Funds Balance Sheet To the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	10
<u>Business-Type Funds</u>	
Combined Statement of Net Position	11
Combined Statement of Revenues, Expenditures and Changes in Net Position	12
Combined Statement of Cash Flows	13
<u>Fiduciary Funds</u>	
Statement of Net Position	14
Notes to the Basic Financial Statements	A-W
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances	
-Budget to Actual- General Fund.....	15
-Notes to Required Supplemental Information.....	16
WRS Pension Supplemental Information	18
Notes to Required Supplemental Information-WRS Pension.....	19
OPEB Life Insurance Supplemental Information	20
Other Supplementary Information	
Combining Balance Sheet – Non-major Governmental Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds.....	22
Other Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	23
Schedule of Findings and Responses.....	26

EAGLE AUDIT & ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Members of:

American Institute of Certified Public Accountants
Wisconsin Institute of Certified Public Accountants
Government Audit Quality Center



1181 NORTH FOURTH
AVENUE
PARK FALLS,
WISCONSIN
PHONE 715-762-4909
FAX 715-762-3359
robbiller@pctcnet.net

INDEPENDENT AUDITOR'S REPORT

City Council
City of Washburn
Washburn, Wisconsin

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principle

As discussed in Note 4c to the financial statements, in 2022 the City implemented GASB 87, Lease Accounting. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Management's Discussion and Analysis and budgetary comparison information 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.

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 accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic

financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 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 City's internal control over financial reporting and compliance.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

Park Falls, Wisconsin
June 30, 2023

CITY OF WASHBURN
119 Washington Avenue
P.O. Box 638
Washburn, WI 54891



715-373-6160
715-373-6161
FAX 715-373-6148

The discussion and analysis of the City's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on municipal financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total governmental fund revenues were \$5,331,493; including \$1,479,251 of property taxes, \$758,400 of general state aid, and \$2,619,521 of charges for services and operating and capital grants. Total governmental funds expenditures were \$5,035,846. The City reduced the amount of prior outstanding general obligation debt by \$446,958.

Total business-type activity fund revenues were \$1,188,940; including \$1,183,968 of user fees. Total business-type activity expenditures were \$1,259,277. The City reduced the amount of prior outstanding business-type debt by \$279,022.

The City's financial status, as reflected in total net position, increased by \$472,612. Net position of governmental activities due to operations increased by \$254,632 and business-type activities (water, sewer, storm water) increased by \$217,980.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government wide financial statements

- The government-wide financial statements are the *statement of net position* and *statement of activities*. These statements present the aggregate view of the City's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or significant portion of costs through user fees and charges called *business type activities*.
- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net position changed during the year. This statement reports the cost of governmental functions and business-type functions and how those functions were financed for the fiscal year.
- The government-wide financial statements are shown on pages 5 to 6 of this report.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Fund financial statements

- The City also produces fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating the City's near-term financing requirements.
- There are two fund financial statements, the balance sheet and statements of revenue, expenditures and changes in fund balance. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the government-wide statements, it is useful to make comparison between information presented. By doing so readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided as separate statements on pages 7 and 9.
- The municipality has three kinds of funds: *governmental*, *propriety* and *fiduciary*. *Governmental funds* include the City's three permanent funds (general, special revenue, and debt service) and individual capital project funds as needed. The City has three *proprietary funds*, the water utility fund, sewer utility fund, and storm water fund. The only *fiduciary fund* for the City serves as an agency fund for tax collections for other governments.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund, the marina operations fund, the harbor commission fund and the community development block grant fund (CDBG) as these are considered to be major funds. The governmental fund financial statements are on pages 7 to 10 of this report,
- The proprietary fund statements are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the City provides a *statement of cash flows* for the proprietary funds. Proprietary fund statements are located on pages 11 to 13 of this report.
- The City serves as a trustee, or *fiduciary*, for tax collections. The assets of this fund do not directly benefit nor are they under the direct control of the City. The City's responsibility is limited to ensuring the assets reported in this fund are distributed to the other governmental entities as prescribed by statute. *Fiduciary* activities are excluded from the government-wide financial statements because the City cannot use these assets to finance operations. The *Fiduciary* fund statement is presented on page 14.
- The City adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statement is on pages 15 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found beginning on page A of this report.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

The major features of the City's financial statements, including the portion of the activities reported and the type of information contained is shown in the table below.

Major Features of the Government-wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire City (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary, such as general govt., public safety, public works, etc.	Activities the City operates similar to private business. The City's water/sewer/storm water utilities are the proprietary operations.	Assets held by the City on behalf of someone else. Tax collections for other governments that are on deposit with the City are reported here.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities. 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balance. 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and change in net assets • Statement of cash flows. 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

FINANCIAL ANALYSIS

The Municipality as a Whole

Net position. Table 1, below, provides a summary of the City's net position for the year ended December 31, 2022 compared to 2021.

Table 1 Condensed Statement of Net Position (in thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total Municipality		%
	2022	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 6,750.8	\$ 6,312.0	\$ 1,797.4	\$ 1,784.8	\$ 8,548.2	\$ 8,096.8	5.6%
Capital assets	7,891.2	8,244.3	17,421.0	17,582.7	\$ 25,312.2	25,827.0	-2.0%
Total assets	14,642.0	14,556.3	19,218.4	19,367.4	33,860.4	33,923.8	-0.2%
Total deferred outflows	1,144.1	967.0	240.3	199.2	1,384.4	1,166.2	18.7%
L-T debt outstanding	1,446.2	1,862.5	7,066.8	7,340.4	8,513.0	9,202.9	-7.5%
Other liabilities	150.5	107.6	430.1	409.7	580.6	517.4	12.2%
Total liabilities	1,596.7	1,970.1	7,496.9	7,750.2	9,093.6	9,720.3	-6.4%
Total deferred inflows	3,619.1	3,237.6	293.5	255.9	3,912.6	3,493.5	
Net position							
Invested in capital assets, net of related debt	6,704.7	6,610.9	10,378.5	10,261.1	17,083.2	16,872.0	1.3%
Restricted	2,291.7	2,229.4	1,077.7	1,039.1	3,369.5	3,268.5	3.1%
Unrestricted	1,573.7	1,475.2	322.4	260.4	1,896.1	1,735.6	9.2%
Total net position	\$ 10,570.2	\$ 10,315.6	\$ 11,778.6	\$ 11,560.6	\$ 22,348.8	\$ 21,876.2	2.2%

Note: totals may not add due to rounding

Unrestricted net position, the amount available to the City to use in future periods for general purposes, increased by \$98,517. A total of \$6,704,737 (63%) is in net investment in capital assets which is not spendable for continuing activities of the City.

In governmental activities, total assets increased \$85,650 including a decrease in capital assets, net decrease in capital assets was \$353,139. The calculation of net position uses a historical cost for buildings that may not accurately reflect the true value. Overall, the City's equipment, buildings, and roads are in good to fair shape. Improvements are scheduled for 2023 at City Hall, and there are several roads that need reconstruction. Each year, a road is repaired, or vehicle is replaced to try to keep up with the replacement cycle.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Change in net position Table 2, below, provides a summary of the City's change in the components of net position for the year ended December 31, 2022 compared to 2021.

Table 2 Change in Net Position (in thousands of dollars)						
	Governmental Activities		Business-Type Activities		Total Municipality	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues						
Charge for services	\$ 2,337.2	\$ 2,573.6	\$ 1,184.0	\$ 1,179.8	\$ 3,521.2	\$ 3,753.4
Capital grants	-	-	\$ -	\$ -	\$ -	\$ -
Operating grants	282.3	253.9	-	-	282.3	253.9
General revenues						
Property taxes	1,479.3	1,434.8	-	-	1,479.3	1,434.8
State & federal aid	758.4	903.3	-	-	758.4	903.3
Other	474.3	507.2	5.0	2.4	479.3	509.6
Total revenues	<u>5,331.5</u>	<u>5,672.8</u>	<u>1,188.9</u>	<u>1,182.2</u>	<u>6,520.4</u>	<u>6,855.0</u>
Expenses:						
General government	505.2	493.9	-	-	505.2	493.9
Public safety	761.1	714.1	-	-	761.1	714.1
Public works	2,690.4	2,540.5	-	-	2,690.4	2,540.5
Health/human services	50.2	42.3	-	-	50.2	42.3
Culture/recreation	526.4	671.5	-	-	526.4	671.5
Conservation/develop	25.8	16.7	-	-	25.8	16.7
Business-type activity			1,259.3	1,245.1	1,259.3	1,245.1
Debt service	40.2	43.7	-	-	40.2	43.7
Depreciation, unallocated	436.5	440.7	-	-	436.5	440.7
Total expenses	<u>5,035.8</u>	<u>4,963.3</u>	<u>1,259.3</u>	<u>1,245.1</u>	<u>6,295.1</u>	<u>6,208.3</u>
Change in net position from operations	295.6	709.6	(70.3)	(62.9)	225.3	646.7
Net special/extraordinary	(41.0)	-	288.3	7.2	247.3	7.2
Change in net position	<u>\$ 254.6</u>	<u>\$ 709.6</u>	<u>\$ 218.0</u>	<u>\$ (55.6)</u>	<u>\$ 472.6</u>	<u>\$ 653.9</u>

Note: totals may not add due to rounding

In government activities, the City had a change in net position of \$254,632, which is a decrease from the prior year of \$454,934. The difference is due to a combination of factors, one of the main ones being a decrease in state and federal aids compared to the prior year.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Business – Type Activities

Revenues for the City's business-type activities (water utility, sewer utility, storm water utility) were comprised of charges for services, and investment earnings.

- Water, sewer and storm water utility revenue exceeded expenses by \$217,980, \$273,626 more than last year. The difference is mainly attributable to an increase in capital contributions in the Water and Sewer Funds.
- Charges for services, which are amounts paid by customers of the water/sewer/storm water utilities, increased to 1,183,968 from \$1,179,807.
- The water, sewer and storm water utilities acquired new fixed assets in the amount of \$327,375. The new fixed assets consist mainly of an iron works project.

Governmental Activities

Net cost of governmental activities Table 3, below, provides a summary of the City's change in net cost of Governmental Activities for the year ended December 31, 2022 compared to 2021.

	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2022	2021	2022	2021	
General Government	\$ 505.2	\$ 493.9	\$ 504.9	\$ 492.9	2.4%
Public Safety	761.1	714.1	391.3	268.2	45.9%
Public Works	2,690.4	2,540.5	822.5	560.7	46.7%
Culture & recreation	526.4	671.5	162.0	286.4	-43.4%
Conservation & develop	25.8	16.7	21.2	10.4	104.9%
Debt service	40.2	43.7	40.2	43.7	-7.8%
Other	436.5	440.7	436.5	440.7	-1.0%
Total	\$ 5,035.8	\$ 4,963.3	\$ 2,416.3	\$ 2,135.8	13.1%

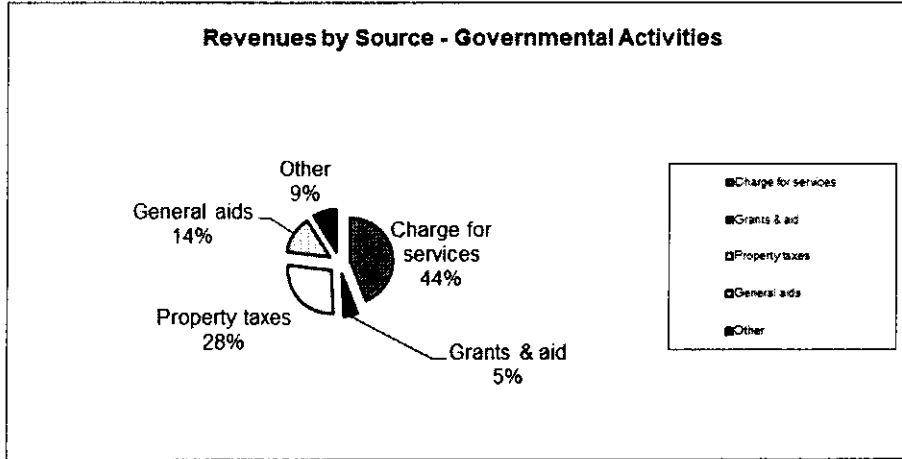
Note: totals may not add due to rounding

Budgetary Analysis – General Fund Only

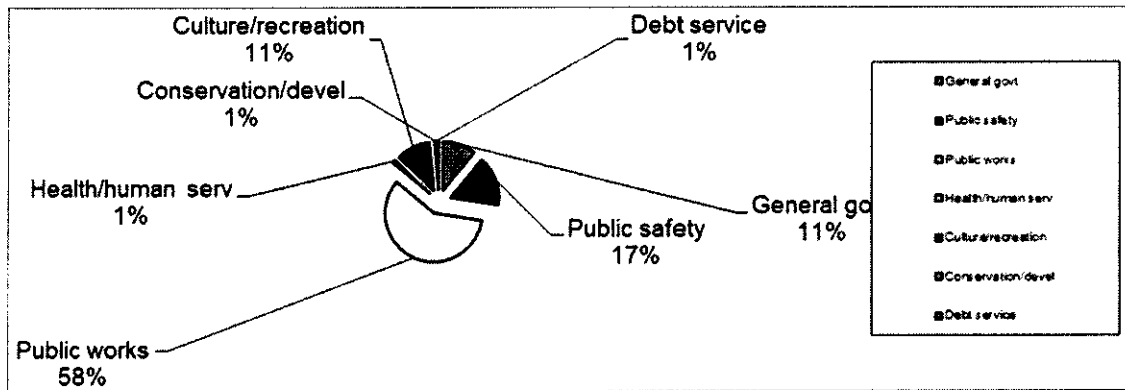
The City made no budget amendments for the year in the General Fund. Expenditures were less than budget by \$85,732 overall, due to a combination of items. There was a surplus of revenues to budget of \$125,225, due to a combination of items.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Revenues by Source – the chart below shows the various sources of revenue by source for the year ending December 31, 2022.



Expenditures by Function – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2022.



**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Table 4 below shows the change in capital assets in the governmental activities, the business-type activities and the municipality as a whole from December 31, 2021 to December 31, 2022.

Table 4
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Municipality		Total % Change
	2022	2021	2022	2021	2022	2021	2022
	Land	\$ 186.4	\$ 186.4	\$ 5.1	\$ 5.1	\$ 191.5	\$ 191.5
Construction in progress	-	-	\$ -	-	-	-	#DIV/0!
Buildings & improvements	\$ 5,691.4	5,751.6	2,840.3	2,837.2	8,531.7	8,588.8	-0.7%
Furniture & equipment	\$ 4,679.9	4,654.5	22,385.8	22,063.8	27,065.7	26,718.3	1.3%
Infrastructure	\$ 4,541.5	4,541.5	-	-	4,541.5	4,541.5	0.0%
Accumulated depreciation	\$ (7,280.2)	(6,889.7)	\$ (7,810.2)	(7,323.5)	(15,090.4)	(14,213.2)	6.2%
Total	\$ 7,819.0	\$ 8,244.3	\$ 17,421.0	\$ 17,582.7	\$ 25,240.0	\$ 25,827.0	-2.3%

Note: totals may not add due to rounding

The additions to capital assets included various miscellaneous purchases in governmental activities, and mainly the addition of an iron works project in the Water & Sewer Funds for business-type activities.

Long – Term Debt – Table 5 below show the change in long-term obligations for the total municipality from December 31, 2021 to December 31, 2022.

Table 5
Outstanding Long Term Obligations
(in thousands of dollars)

	Total Municipality		Total % Change
	2022	2021	2022
	General obligation debt	\$ 1,186.4	\$ 1,633.4
Other	7,326.5	7,569.5	-3.2%
Total	\$ 8,512.9	\$ 9,202.9	-7.5%

Note: totals may not add due to rounding

The City incurred no new general obligation debt this year and reduced the remaining general obligation debt by regularly scheduled payments.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

FACTORS BEARING ON THE CITY'S FUTURE

Currently known facts and circumstances that will impact the City's financial status in future are:

1. Work is scheduled to begin this summer to remove a dilapidated building in the downtown area and replace it with a brew pub. If successful, this project would significantly improve the tax base. Additional development projects include an addition to the Washburn Iron Works that occurred last summer, plans have been approved to replace another dilapidated building with a Dollar General store, and additional development ideas are in discussion.
2. The City is preparing to take on a large water and sewer project with the first phase in 2024 and the second phase in 2027. This will coincide with the reconstruction of STH 13 in the City. Improvements will also be made to the stormwater system, and there will be additional amenities to enhance the attractiveness of the downtown area.
3. The City has struggled with frozen or declining support from the State of Wisconsin to maintain operations and services at current levels. This City is hopeful that recently proposed legislation will be approved that will increase funding.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors & creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Scott Kluver, City Administrator/Clerk, City of Washburn, 119 Washington Avenue, Washburn, WI.

City of Washburn
Washburn, Wisconsin

Government-Wide Financial Statements

**City of Washburn, Wisconsin
Statement of Net Position
As of December 31, 2022**

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash	\$ 3,169,523	264,830	\$ 3,434,353
Receivables	1,315,416	333,732	1,649,148
Less allowance for doubtful accounts	(35,749)	-	(35,749)
Internal receivables	346,078	-	346,078
Restricted cash	627,457	1,077,745	1,705,202
Inventories and prepaid items	-	121,087	121,087
Total current assets	5,422,725	1,797,394	7,220,119
Noncurrent assets:			
WRS net pension asset	454,931	110,201	565,132
Long Term Receivables	873,142	-	873,142
Plant, property & equipment:			
Capital assets, not being depreciated	258,560	5,125	263,685
Capital assets being depreciated, net of accumulated depreciation	7,632,605	17,415,920	25,048,525
Subtotal Plant, property & equip	<u>7,891,165</u>	<u>17,421,045</u>	<u>25,312,210</u>
Total noncurrent assets	9,219,238	17,531,246	26,750,484
Total assets	14,641,963	19,328,640	33,970,603
Deferred Outflows			
Pension and OPEB related outflows	<u>1,144,087</u>	<u>240,331</u>	<u>1,384,418</u>
Liabilities			
Current liabilities:			
Payables:			
Accounts	109,099	23,293	132,392
Accrued payroll & related items	24,364	3,225	27,589
Accrued interest	17,057	57,501	74,558
Internal payables	-	346,078	346,078
Current portion of long-term obligations	424,454	268,332	692,786
Total current liabilities	574,974	698,429	1,273,403
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>1,021,743</u>	<u>6,798,481</u>	<u>7,820,224</u>
Total non-current liabilities	1,021,743	6,798,481	7,820,224
Total liabilities	1,596,717	7,496,910	9,093,627
Deferred Inflows of Resources			
Tax levies	1,583,521	-	1,583,521
WRS pension and OPEB related inflows	1,211,497	293,469	1,504,966
Amounts paid to recipients of CDBG funds	747,872	-	747,872
Amounts paid to recipients of façade loan funds	76,248	-	76,248
Total deferred inflows of resources	3,619,138	293,469	3,912,607
Net Position			
Net investment in capital assets	6,704,737	10,378,490	17,083,227
Restricted for:			
Debt service	45,624	-	45,624
Capital projects	402,232	-	402,232
Special revenue projects	1,843,867	-	1,843,867
Water/sewer loan covenant	-	1,077,745	1,077,745
Unrestricted	1,573,735	322,357	1,896,092
Total net position	10,570,195	11,778,592	22,348,787

See accompanying notes to basic financial statements.

**City of Washburn, Wisconsin
Statement of Activities
For the Year ended December 31, 2022**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Government Activities	Business- Type Activities	
Governmental activities:						
General government	505,167	307	-	(504,860)		(504,860)
Public Safety	761,130	301,357	68,493	(391,280)		(391,280)
Public Works	2,690,424	1,727,059	140,837	(822,528)		(822,528)
Health and human services	50,181	12,450	-	(37,731)		(37,731)
Culture, recreation and education	526,443	296,013	68,446	(161,984)		(161,984)
Conservation and development	25,800	-	4,559	(21,241)		(21,241)
Debt service	40,242	-	-	(40,242)		(40,242)
Depreciation - unallocated*	436,459	-	-	(436,459)		(436,459)
Total governmental activities	5,035,846	2,337,186	282,335	(2,416,325)		(2,416,325)
Business-type activities:						
Water utility	498,706	475,453	-		(23,253)	(23,253)
Sewer utility	671,622	591,877	-		(79,745)	(79,745)
Storm water utility	88,949	116,638	-		27,689	27,689
Total Business-type activities	1,259,277	1,183,968	-		(75,309)	(75,309)
Total municipality	\$ 6,295,123	\$ 3,521,154	\$ 282,335	\$ (2,416,325)	\$ (75,309)	\$ (2,491,634)
General revenues:						
Property taxes:						
General purposes				597,232		597,232
Debt services				586,119		586,119
Capital projects				295,900		295,900
State and federal aids not restricted to specific functions:						
				758,400		758,400
Interest and investment earnings				9,032	4,972	14,004
Miscellaneous				465,289	-	465,289
Total general revenues				2,711,972	4,972	2,716,944
Extraordinary / special items:						
Loss on disposal of assets				(41,015)	-	(41,015)
Capital contributions				-	288,317	288,317
Change in net position				254,632	217,980	472,612
Net position - beginning of year				10,315,563	11,560,612	21,876,175
Net position - end of year				\$ 10,570,195	\$ 11,778,592	\$ 22,348,787

*This amount excludes the depreciation that is included in the direct expenses of the various activities.

See accompanying notes to basic financial statements.

City of Washburn
Washburn, Wisconsin

Fund Financial Statements

City of Washburn, Wisconsin
Balance Sheet
Governmental Funds
As of December 31, 2022

	General Fund	Marina Operating Fund	CDBG Fund	Other Nonmajor Govt Funds	Total Governmental Funds
Assets					
Cash	\$ 1,614,158	247,833	-	\$ 1,307,532	\$ 3,169,523
Receivables:					
Taxes receivable	897,976	-	-	289,269	1,187,245
Other receivables	127,331	-	-	840	128,171
Less allowance for doubtful accounts	(35,749)	-	-	-	(35,749)
Due from other funds	345,987	-	-	430,439	776,426
Restricted cash	-	-	275,121	352,336	627,457
Long term receivables	-	-	\$ 747,872	125,270	873,142
Total Assets	\$ 2,949,703	\$ 247,833	\$ 1,022,993	2,505,686	\$ 6,726,215
Liabilities, Deferred Inflows and Fund Balance					
Liabilities					
Accounts payable	61,681	-	-	47,418	109,099
Accrued payroll and related items	24,364	-	-	-	24,364
Due to other funds	-	195,752	-	234,595	430,347
Total Liabilities	86,045	195,752	-	282,013	563,810
Deferred Inflows of Resources					
Tax levies	1,294,252	-	-	289,269	1,583,521
Amounts paid to recipients of CDBG funds	-	-	747,872	-	747,872
Amounts paid to recipients of façade loan funds	-	-	-	76,248	76,248
Total Deferred Inflows of Resources	1,294,252	-	747,872	365,517	2,407,641
Fund Balance					
Restricted	-	52,081	275,121	2,016,602	2,343,804
Unassigned	1,569,406	-	-	(158,446)	1,410,960
Total Fund Balance	1,569,406	52,081	275,121	1,858,156	3,754,764
Total Liabilities, Deferred Inflows and Fund Balance	\$ 2,949,703	\$ 247,833	\$ 1,022,993	\$ 2,505,686	\$ 6,726,215

See accompanying notes to basic financial statements.

**City of Washburn, Wisconsin
 Reconciliation of the Government Funds Balance Sheet
 to the Statement of Net Position
 For the Year Ended December 31, 2022**

Total fund balance reported on government funds balance sheet **3,754,764**

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

Net WRS pension asset is not a financial resource and therefore is not reported as a component of fund balance. The amount of net pension asset is 454,931

Capital assets used in government activities are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental capital assets, net of accumulated depreciation is: 7,891,164

Deferred Outflows of resources for WRS pension are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental deferred outflows is: 1,144,087

Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported as a component of fund balance. Long-term liabilities reported in the statement of net position that are not reported in the governmental funds balance sheet are:

General obligation debt	\$ (1,446,197)	
Accrued interest on general obligation debt	<u>(17,057)</u>	
		\$ (1,463,254)

Deferred Inflows of resources are not due in the current period and therefore are not reported as a component of fund balance. Deferred Inflows of resources reported in the statement of net position that are not reported in the governmental funds balance sheet are: (1,211,497)

Total net position - governmental activities **10,570,195**

City of Washburn, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Marina Operations Fund	CDBG Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Property tax	\$ 479,697	-	-	\$ 881,460	\$ 1,361,157
Other tax	117,535	-	-	559	118,094
Intergovernmental aid	895,015	-	-	145,720	1,040,735
Licenses and permits	51,909	-	-	-	51,909
Fines, forfeits and penalties	9,644	-	-	-	9,644
Public charge for service	561,269	1,388,754	-	190,064	2,140,087
Intergovernmental charge for service	197,099	-	-	-	197,099
Commercial	37,429	115	32,766	342,458	412,768
Total revenues	<u>2,349,597</u>	<u>1,388,869</u>	<u>32,766</u>	<u>1,560,261</u>	<u>5,331,493</u>
Expenditures:					
Current:					
General government	469,471	-	-	44,561	514,032
Public Safety	774,826	-	-	30,631	805,457
Public Works	619,008	1,412,079	-	677,068	2,708,155
Health and human services	42,481	-	-	7,700	50,181
Culture, recreation and education	443,201	-	-	100,973	544,174
Conservation and development	14,753	-	4,805	6,242	25,800
Total Current	<u>2,363,740</u>	<u>1,412,079</u>	<u>4,805</u>	<u>867,175</u>	<u>4,647,799</u>
Debt Service:					
Principal	-	-	-	446,852	446,852
Interest	-	-	-	42,500	42,500
Other debt service	3,000	-	-	-	3,000
Total Debt service	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>489,352</u>	<u>492,352</u>
Capital Expenditures	9,776	-	-	114,558	124,334
Total Expenditures	<u>2,376,516</u>	<u>1,412,079</u>	<u>4,805</u>	<u>1,471,085</u>	<u>5,264,485</u>
Net change in fund balance	(26,919)	(23,210)	27,961	89,176	67,008
Fund balance, beginning of year	1,596,325	75,291	247,160	1,768,980	3,687,756
Fund balance, end of year	<u>\$1,569,406</u>	<u>\$ 52,081</u>	<u>\$275,121</u>	<u>\$1,858,156</u>	<u>\$ 3,754,764</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances - total governmental funds **\$ 67,008**

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	124,334	
Depreciation expense reported in the statement of activities	<u>(436,459)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(312,125)

Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Vested employee benefits paid in current year	326,215	
Vested employee benefits earned in current year	<u>(237,561)</u>	
Amounts paid are greater (less) than amounts paid by		88,654

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	446,852
---	---------

The district disposed of surplus and outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no affect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	(86,974)	
The amount of depreciation recapture for the year was:	<u>45,959</u>	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		(41,015)

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.

The amount of interest paid during the current period	42,500	
The amount of interest accrued during the current period	<u>(37,242)</u>	
Interest paid is greater (less) than interest accrued by		5,258

Change in net position - governmental activities **\$ 254,632**

City of Washburn, Wisconsin
 Combined Statement of Net Position
 Enterprise Funds
 As of December 31, 2022

Assets	<u>Non-Major Fund</u>			Total
	Water Fund	Sewer Fund	Storm Water Fund	
Cash	475,272	(300,816)	90,374	264,830
Receivables:				
Customer accounts receivables	108,867	139,755	28,207	276,829
Other receivables	25,132	29,916	1,855	56,903
Materials & supplies inventory	17,272	1,167	-	18,439
Due from other funds	132,321	0	45,085	177,406
Restricted cash	492,258	585,487	-	1,077,745
Prepays	-	95,085	7,563	102,648
Net Pension asset	46,341	50,297	13,563	110,201
Plant, property & equipment(net)	7,011,211	8,834,430	1,575,401	17,421,042
Total Assets	<u>\$ 8,308,674</u>	<u>\$ 9,435,321</u>	<u>\$ 1,762,048</u>	<u>\$ 19,506,043</u>
Deferred Outflows of Resources Pension	<u>101,063</u>	<u>109,690</u>	<u>29,578</u>	<u>\$ 240,331</u>
Liabilities, Deferred Inflows and Net Position				
Liabilities				
Accounts payable	351	16,691	6,251	23,293
Accrued interest payable	27,041	30,460	0	57,501
Accrued payroll and related items	1,477	1,482	266	3,225
Due to other funds	-	412,497	110,987	523,484
Long term debt	3,305,763	3,758,062	2,988	7,066,813
Total Liabilities	<u>3,334,632</u>	<u>4,219,192</u>	<u>120,492</u>	<u>7,674,316</u>
Deferred Inflows of Resources				
Deferred Inflows of Resources Pension	<u>123,408</u>	<u>133,942</u>	<u>36,119</u>	<u>293,469</u>
Total deferred inflows of resources	<u>123,408</u>	<u>133,942</u>	<u>36,119</u>	<u>293,469</u>
Net Position				
Net investment in capital assets	3,715,656	5,087,448	1,575,401	10,378,505
Restricted, expendable	492,258	585,487	-	1,077,745
Unrestricted	743,783	(481,058)	59,614	322,339
Total net position	<u>\$ 4,951,697</u>	<u>\$ 5,191,877</u>	<u>\$ 1,635,015</u>	<u>\$ 11,778,589</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
 Combined Statement of Revenues, Expenditures and Changes in Net Position
 Enterprise Funds
 For the Year Ended December 31, 2022

	Water Fund	Sewer Fund	<u>Non-Major Fund</u> Storm Water Fund	2022
Operating Revenues	475,453	591,877	116,638	1,183,968
Operating Expenses				
Operations and maintenance	171,884	246,638	50,658	469,180
Depreciation	186,437	266,361	36,228	489,026
Taxes	6,676	6,317	1,466	14,459
Total Operating Expenses	364,997	519,316	88,352	972,665
Operating Income (Loss)	110,456	72,561	28,286	211,303
Non Operating Revenues (Expenses)				
Interest Income	2,235	2,624	113	4,972
Interest Expense	(133,709)	(152,306)	(597)	(286,612)
Total Non Operating	(131,474)	(149,682)	(484)	(281,640)
Capital Contributions	78,615	209,702	-	288,317
	78,615	209,702	-	288,317
Change in Net Position	57,597	132,581	27,802	217,980
Net Position- Beginning of Year	4,894,100	5,059,296	1,607,213	11,560,609
Net Position - End of Year	4,951,697	5,191,877	1,635,015	11,778,589

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
 Combined Statement of Cash Flows
 Enterprise Funds
 For the Year Ended December 31, 2022

	Water Fund	Sewer Fund	Non-Major Fund	
			Storm Water Fund	2022
Cash Flows from Operating Activities				
Cash received from user charges	484,176	602,034	115,299	1,201,509
Cash received from other funds	-	-	4,915	4,915
Cash payments to employees for services	(126,264)	(100,815)	(27,002)	(254,081)
Cash payments to suppliers for goods and services	(42,811)	(147,159)	5,903	(184,067)
Cash payments for other operating expenses		-	(32,331)	(32,331)
Net cash provided by operating activities	<u>315,101</u>	<u>354,060</u>	<u>66,784</u>	<u>735,945</u>
Cash Flows from Capital and Related Financing Activities				
Cash payments for acquisition of capital assets	(117,672)	(209,702)	-	(327,374)
Other financing activities	69,620	199,831	(2,660)	266,791
Interest paid	(134,782)	(153,453)	(651)	(288,886)
Retirement of long-term debt	(114,939)	(143,866)	(20,362)	(279,167)
Net cash used in capital and related financing activities	<u>(297,773)</u>	<u>(307,190)</u>	<u>(23,673)</u>	<u>(628,636)</u>
Cash Flows from Investing Activities				
Interest on investments	2,235	2,624	113	4,972
Net cash provided by investing activities	<u>2,235</u>	<u>2,624</u>	<u>113</u>	<u>4,972</u>
Net increase (decrease) in cash and cash equivalents	19,563	49,494	43,224	112,281
Cash and cash equivalents - beginning of year	947,967	235,177	47,150	1,230,294
Cash and cash equivalents - end of year	<u>967,530</u>	<u>284,671</u>	<u>90,374</u>	<u>1,342,575</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	110,456	72,561	28,286	211,303
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation (other amortization)	196,653	256,145	36,228	489,026
Changes in assets and liabilities:				
Accounts receivable	8,723	10,157	(1,339)	17,541
Materials and supply inventory	(3,670)	57	-	(3,613)
Prepaid expense	-	-	(7,563)	(7,563)
Due from other funds	1,675	0	4,915	6,590
Accounts payable	257	14,368	6,251	20,876
Accrued payroll payable	1,007	772	6	1,785
Net cash provided by operating activities	<u>315,101</u>	<u>354,060</u>	<u>66,784</u>	<u>735,945</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2022

	Tax Collection Agency Fund
Assets	
Cash	342,806
Taxes receivable	<u>1,057,226</u>
Total assets	<u><u>\$1,400,032</u></u>
Liabilities	
Due to other governments	<u>1,400,032</u>
Total liabilities	<u><u>\$1,400,032</u></u>

See accompanying notes to basic financial statements.

TABLE OF CONTENTS

Notes to the Basic Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14 A
Note 2 – DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES	14 G
Note 2a – Cash and investments	
Note 2b – Capital assets	
Note 2c – Long-term notes receivable	
Note 3 – DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES	14 I
Note 3a – Short-term debt	
Note 3b – Long-term liabilities	
Note 3c – Interfund balances and activity	
Note 3d – Risk management	
Note 3e – Contributions to pension plan	
Note 3f – Other post-employment benefits – life insurance	
Note 4 – OTHER NOTE DISCLOSURES	14 V
Note 4a – Fund balances	
Note 4b – Contingencies and commitments	
Note 4c – Change in accounting principle	

City of Washburn, Wisconsin

Notes to Financial Statements
For the Year Ended December 31, 2022

Note 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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

A. Reporting Entity

The City of Washburn, Wisconsin (the "City") is incorporated under the provisions of the State of Wisconsin. The City operates under a Council - Administrator form of government and provides the following services as authorized by its charter: Public safety, streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities.

The reporting entity for the City is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the City for which it exercises oversight responsibility are included. The oversight responsibility includes but is not limited to, financial interdependency between the City and the governmental entity; control by the City over selection of the entity's governing authority or designation of management; the ability of the City to significantly influence operations of the entity; and whether the City is responsible for the accountability for fiscal matters. All significant activities and organizations with which the City exercises oversight responsibility have been considered for inclusion in the basic financial statements. The City has no component units and it is not included in any other governmental reporting entity.

B. Basis of presentation

Government-wide financial statements

The statement of net position and the statement of activities present financial information about the government's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. These statements distinguish between the governmental and business-type activities of the government. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business type activities are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The statement of activities presents a comparison between direct expenses and program revenues for each function of the government's governmental activities. Direct expenses

are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund financial statements

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained, consistent with legal and managerial requirements.

The fund statements provide information about the government's funds, including fiduciary funds. Separate statements for each fund category – governmental, business-type and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The government reports the following major governmental funds:

General Fund – This is the government's primary operating fund. It accounts for all financial activity that is not required to be accounted for in other fund.

Marina Operations Fund – This fund accounts for operations of the City's marina facility.

CDBG Fund – This fund accounts for all activity of the CDBG housing rehabilitation loan program funded by a federal grant.

The City operates three enterprise funds. The Water and Sewer Utility Funds account for the activities of the municipal water and sewer utility, both of which are major funds. The Storm Water Fund which accounts for the activity of the City's storm water utility, which is not considered a major enterprise fund.

The City accounts for assets held as an agent for other governmental units in a fiduciary agency fund. This fund includes the Tax Collection agency fund.

C. Measurement Focus and Basis of Accounting

The government-wide, business-type and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, or economic asset used, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the government gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance or the Governmental Accounting Standards Board.

D. Assets and Liabilities

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the City to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury

obligations, U.S. government agency issues, municipal obligations within Wisconsin, high grade commercial paper which matures in less than seven years, and the local government pooled-investment fund administered by the State of Wisconsin Investment Board.

All investments are stated at fair market value.

Property Taxes:

Real estate assessments are as of January 1, tax levies in December are applicable to the following year and the real estate taxes are due in January unless an installment plan is selected. Property taxes are recognized as revenue in the period which the taxes are levied. The 2021 tax levy is used to finance operations of the City for the year ended December 31, 2022. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. The County assumes all responsibility for delinquent real property taxes. Property taxes which have not been recognized as revenue are recorded as deferred inflows until collected.

Accounts Receivable

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Due to and from other funds

The amounts reported on the statement of net position for due to and due from other funds represents amounts due between fund types (governmental activities, business type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. See Note 5a for a detailed description of the individual fund balances as of December 31.

Inventories and Prepaid Supplies:

Proprietary fund type inventories are generally used for construction, operation and maintenance work, they are not for resale. They are charged to construction, operations and maintenance expense at average cost.

Governmental fund inventory items are charges to expenditure accounts when purchased. Year-end inventory was not significant.

Leases

Leased assets are recorded as capital assets and related long-term liabilities for the right to use the assets. The leased assets are recorded at the present value of expected lease payments over the lease term amortized over the expected useful life of the asset or the lease term, whichever is less.

The long-term liability of the lease is recorded at the present value of expected lease payments over the lease term and is reduced by principal payments on the lease. Interest expense is recorded as a portion of the lease payment.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

- Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, based on management estimates. Donated assets are reported at estimated fair market value at the time received.

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Upon implementing GASB 34 governmental units are required to account for all infrastructure in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required. For the year ended December 31, 2022, the City has chosen not to retroactively report infrastructure acquired by its governmental fund types.

Depreciation of all exhaustible fixed 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 of depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings/improvements	\$5,000	Straight-line	20-50 years
Furniture and equipment	\$5,000	Straight-line	3-20 years
Vehicles	\$5,000	Straight-line	3-20 years
Infrastructure	\$5,000	Straight-line	25 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

- Fund Financial Statements

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

Additions to and replacements of utility plant are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Equity Classifications

- Government-wide Statements

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

- Fund Statements

Governmental fund equity is classified as fund balance. The City reports as restricted those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unassigned fund balance indicates that a portion of fund equity, which is available for appropriation, in future periods. Proprietary fund equity is classified the same as in the government-wide statements.

Budgetary Accounting

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described above. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by City Council resolution.

Economic Development and Housing Rehabilitation Loans Receivable

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.

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 reserved fund balance in the fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. This item is related to the City's proportionate share of the Wisconsin Retirement System pension

plan and OPEB life insurance and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and OPEB life insurance and is deferred and amortized over the expected remaining service lives of the pension plan participants. The third item is the amount of CDBG Housing Rehabilitation Loans outstanding, which will be recognized as the loans become due upon sale of the related property. The period in which this will occur can't be determined.

Subsequent Events

Subsequent events have been evaluated through June 30, 2023, which is the date the financial statements were available to be issued.

Note 2 – DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES

Note 2a – Cash and investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2022 all of the City deposits were fully collateralized by the FDIC, the State Guarantee Fund and a bank collateralization agreement.

The following schedule of cash deposits of all the City's funds (including fiduciary funds) as of December 31, 2022 as reflected in the Statement of Net Position follows:

	Primary Government	Enterprise Funds	Fiduciary Fund	Total
Unrestricted:				
Cash and Cash Equivalents	\$3,169,523	\$264,830		\$3,434,353
Restricted:				
Cash and Cash Equivalents	627,457	1,077,745	342,806	2,048,008
Total Cash and Cash Equivalents	\$3,796,980	\$1,342,575	\$342,806	\$5,482,361

The Primary Government restricted cash balance is composed of the cash balances of the Economic Development, CDBG, and TIF funds. The Enterprise Fund restricted cash balance is comprised of various cash balances in the water and sewer funds.

Interest and dividends earned as of December 31, 2022 are as follows:

	Governmental	Business-type
	Activities	Activities
Interest earned	\$9,032	\$4,972

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits, per entity. In addition, the State of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may result in temporary uninsured balances significantly exceeding the FDIC and State Guarantee Fund insurance.

Note 2b – Capital Assets

Capital asset balances and activity for the year ended December 31, 2022 were as follows:

	Beginning Balance	Prior Year Adjustments	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Sites (land)	\$ 186,385		-	-	\$ 186,385
CIP			72,175		72,175
Total capital assets not being depreciated	186,385		72,175	-	258,560
Capital assets being depreciated:					
Buildings & site improvements	5,751,573	-	-	(60,162)	5,691,411
Furniture and equipment	4,654,544		52,159	(26,812)	4,679,891
Road network	4,541,494		-	-	4,541,494
Total capital assets being depreciated	14,947,611	-	52,159	(86,974)	14,912,796
Less accumulated depreciation	(6,889,692)		(436,459)	45,959	(7,280,192)
Total capital assets being depreciated, net of accumulated depreciation	8,057,919	-	(384,300)	(41,015)	7,632,604
Governmental activities capital assets, net of accumulated depreciation					<u>\$ 7,891,164</u>

Depreciation expense was charged to functions as follows:

General government	\$ 8,267
Public Safety	108,390
Public works	285,242
Health and Human services	445
Culture, recreation, education	34,115
Depreciation not charged to a specific function	-
Total depreciation for governmental activities	<u>\$436,459</u>

Business-type activities:

Capital assets not being depreciated:

Land	\$ 5,125			\$ 5,125
Total capital assets not being depreciated	5,125	-	-	5,125

Capital assets being depreciated:

Water distribution system	10,138,186		117,673	(2,320)	10,253,539
Sewer collection & treatment system	12,593,524		209,702	-	12,803,226
Storm water system	2,169,332		-	-	2,169,332
Total capital assets being depreciated	24,901,042		327,375	(2,320)	25,226,097
Less accumulated depreciation for:					
Water distribution system	(3,049,079)		(196,653)	2,320	(3,243,412)
Sewer collection & treatment system	(3,716,689)		(256,145)	-	(3,972,834)
Storm water system	(557,704)		(36,228)	-	(593,932)
Total accumulated depreciation	(7,323,472)		(489,026)	2,320	(7,810,178)
Total capital assets being depreciated, net of accumulated depreciation	17,577,570		(161,651)	-	17,415,919
Business-type activities capital assets, net of accumulated depreciation					<u>\$ 17,421,044</u>

Depreciation expense was charged to functions as follows:

Water	\$ 196,653
Sewer	256,145
Storm water	36,228
	<u>\$ 489,026</u>

Note 2c – Long-term Notes Receivable

	Ending balance	Amounts due within 1 year
CDBG Mortgages	\$747,872	\$ -0-
EDP loans receivable	49,022	
Façade loans receivable	76,248	
Total LT receivables	\$873,142	\$ -0-

Note 3 – DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES

Note 3a – Short-term debt

The City had no short-term debt as of December 31, 2022.

Note 3b – Long-term Liabilities

Long-term liability balances and activity for the year ended December 31, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
General obligation debt					
Bonds and notes payable					
Capital projects	\$ 1,456,452	-	394,872	\$ 1,061,580	\$ 370,818
Capital leases	176,934	-	52,086	124,848	53,636
Total general obligation debt	1,633,386	0	446,958	1,186,428	424,454
Other liabilities:					
Vested Employee Benefits:					
Vacation and sick pay	151,342	8,104	-	159,446	-
OPEB life insurance	77,775	22,439	-	100,214	-
Total Other Governmental Liabilities	229,117	30,543	-	259,660	-
Total governmental activity long-term liabilities	<u>\$ 1,862,503</u>	<u>30,543</u>	<u>446,958</u>	<u>\$ 1,446,088</u>	<u>\$ 424,454</u>
Business-type Activities					
Bonds and notes payable	7,321,560	-	279,022	7,042,538	268,332
Total business-type activities debt	<u>\$ 7,321,560</u>	<u>-</u>	<u>279,022</u>	<u>\$ 7,042,538</u>	<u>\$ 268,332</u>
OPEB life insurance	18,840	5,436	-	24,276	-
Total Other Business-type Liabilities	18,840	5,436	-	24,276	-
Total business-type activity long-term liabilities	<u>\$ 7,340,400</u>	<u>5,436</u>	<u>279,022</u>	<u>\$ 7,066,814</u>	<u>\$ 268,332</u>

Payments on bonds and notes are made by the various funds debt service fund and the business-type funds.

Total interest paid and accrued during the year:	<u>Governmental Funds</u>	<u>Business-type Funds</u>
--	-------------------------------	--------------------------------

Total interest paid	\$ 42,500	\$ 288,807
Total interest expense	<u>37,242</u>	<u>286,612</u>
Interest paid over (under) expense	<u>5,258</u>	<u>2,195</u>

The full faith, credit, and taxing powers of the City secure all general obligation debt, including business-type activities, if any. Bonds and notes payable and capital leases are comprised of the following individual issues:

Government Activities	Issue Dates	Interest Rates	Date of Maturity	Balance 12/31/22
Bremer bank note	11/10/14	3.25	11/10/24	113,289
State Trust land	12/2/14	3.50	3/15/23	22,707
State Trust cap impr	12/2/14	3.50	3/15/23	23,558
State Trust boat ramp	3/30/15	3.50	3/15/24	91,026
Lease street equip	1/28/15	2.90	2/28/25	78,873
Lease truck	2/6/16	3.40	5/15/25	45,975
GO note	5/1/20	1.78	5/1/30	491,000
GO note	5/1/20	2.68	3/15/28	<u>320,000</u>
Total bonds and notes				<u><u>1,186,428</u></u>
Business-type Activities				
Bremer bank note	8/27/19	4.00	3/15/39	\$ 148,663
Sewer revenue bonds	10/15/18	3.69	5/01/36	1,515,000
Water revenue bonds rural	5/12/05	4.25	5/12/45	2,884,737
Water B bonds spec assess	5/12/05	4.25	5/12/44	98,817
Sewer revenue bonds rural	5/12/05	4.25	5/12/45	2,002,681
Sewer B bonds spec assess	5/12/05	4.25	5/12/44	80,640
GO note	5/1/20	1.78	5/1/30	<u>312,000</u>
				<u><u>7,042,538</u></u>

The legal debt limit and margin of indebtedness is set at 5% of equalized value by Section 67.03(1) (b), Wisconsin Statutes. The margin of indebtedness at December 31, 2022 is:

Equalized value certified by Wisconsin Department of Revenue for:	2022	\$154,969,400
Margin of indebtedness at 5%		7,748,470
Deduct long-term debt applicable to debt margin		<u>(1,498,428)</u>
Margin of indebtedness		<u><u>\$ 6,250,042</u></u>

Aggregate cash flow requirements for retirement of long-term principal and interest on notes and bonds (including State Trust Fund loans) as of December 31, 2022 is as follows:

Government Activities

Year ended	Principal	Interest	Total
<u>31-Dec</u>			
2023	424,454	29,738	454,192
2024	387,138	18,641	405,779
2025	91,836	8,906	100,742
2026	80,000	6,531	86,531
2027	80,000	4,621	84,621
2028-2030	<u>123,000</u>	<u>17,341</u>	<u>140,341</u>
Totals	<u><u>1,186,428</u></u>	<u><u>85,778</u></u>	<u><u>1,272,206</u></u>

Business-type Activities

Year ended			
31-Dec	Principal	Interest	Total
2023	268,332	279,295	547,627
2024	281,276	269,135	550,411
2025	287,505	258,562	546,067
2026	298,986	247,645	546,631
2027	312,744	236,266	549,010
2028-2032	1,647,643	996,049	2,643,692
2033-2037	1,698,716	657,090	2,355,806
2038-2042	1,424,497	343,059	1,767,556
2043-2045	822,839	52,425	875,264
Totals	<u>7,042,538</u>	<u>3,339,526</u>	<u>10,382,064</u>

Leases

The city has two leases required under GABS 87.

The net book value of a backhoe/grader was \$82,997 at 12/31/22. It will be amortized over the remaining term of the lease which ends 2/28/25. Amortization expense in 2022 was 39,522. The interest rate is 2.90%, with an option to purchase the equipment for \$1 at the end of the lease term.

The net book value of a dump truck was \$42,940 at 12/31/22. It will be amortized over the remaining term of the lease which ends 5/15/25. Amortization expense in 2022 was 17,768. The interest rate is 3.40%, with legal title transferring to the city at the end of the lease term.

The gross amounts of the leases, and related accumulated amortization, are included in Property, Plant and Equipment in the statement of net position. The lease obligations are included in long term obligations, with the appropriate amounts for current and noncurrent, in the statement of net position.

Note 3c – Interfund receivables/payables and operating transfers

The following is a schedule of interfund receivables/payables in the fund financial statements:

	Amount
Governmental Funds:	
General fund receivable from Business-type funds for operations	\$345,987
Capital Projects Fund receivable from TIF for operations	234,595
TIF district payable to Capital Projects Fund for operations	(234,595)
Harbor Commission Fund receivable from Marina Operations Fund	195,752
Marina Operations Fund payable to Harbor Commission Fund	(195,752)
Total Governmental Funds Receivable/Payable	\$345,987
Business-type Funds:	
Sewer fund payable to General fund for operations	(235,000)
Storm water fund payable to General fund for operations	(110,987)
Water fund receivable from Sewer fund for operations	132,321
Sewer fund payable to Water fund for operations	(132,321)

Debt Service Fund due from Sewer Fund	91
Sewer fund payable to Debt Service Fund	(91)
Storm water receivable from Sewer fund for operations	45,085
Sewer fund payable to Storm water fund for operations	(45,085)
Total Business-type Funds Receivable/Payable	\$345,987

For the Statement of Net Position interfund balances which are owed within the governmental activities funds or business-type activities funds are eliminated.

Balance owed between the governmental activities funds and the business-type activities funds are reported in the Statement of Net Position and include:

	Amount
Governmental Activities	Due (Owed)
General Fund	\$345,987
Total	\$345,987
Business-type Activities	
Sewer Fund	(235,000)
Storm water Fund	(110,987)
Total	\$(345,987)

Operating transfers – transfers are used to: 1) move unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations and 2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

There were the following interfund transfers for the year ending December 31, 2022:

There was one transfer in 2022 for \$5,006 from the Defibrillator Campaign Fund to the Bayfield Steet Improvement Fund.

Note 3d – Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

Note 3e – Contributions to pension plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (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 WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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 plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

Vested participants may retire at age 55 (50 for protective occupation employees) 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 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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17
2019	0.0	(10)
2020	1.7	21.0
2021	5.1	13.0

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and 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 \$79,217 in contributions from the employer.

Contribution rates as of December 31, 2022 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

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

At 12/31/22, the City of Washburn reported a liability (asset) of \$(565,132) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial

valuation date and the measurement date. The City of Washburn's proportion of the net pension liability (asset) was based on the City of Washburn's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the City of Washburn's proportion was 0.00701141%, which was a decrease of 0.00010863% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2022, the City of Washburn recognized pension expense (revenue) of \$(48,588).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$912,943	(\$65,833)
Net differences between projected and actual earnings On pension plan investments	160,364	(1,424,612)
Changes in assumptions	105,434	-
Changes in proportion and differences between Employer contributions and proportionate share of Contributions	437	(318)
Employer contributions subsequent to the measurement date	151,953	-
Total	\$1,331,131	(\$1,490,763)

\$151,953 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:

Year Ended December 31	Deferred Outflow Of Resources	Deferred Inflows Of Resources
2022	\$514,295	(\$540,567)
2023	321,553	(474,734)
2024	233,325	(300,750)
2025	110,004	(174,711)
Thereafter	-	-

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
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value

Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases: Inflation Seniority/Merit	3.0% 0.1% - 5.6%
Mortality:	Wisconsin 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 discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

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

**Retirement Funds 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
Private Equity/Debt	12	9.7	7
Total Core Fund	115	6.6	4
Variable Fund Asset Class			
US Equities	70	6.3	3.7
International Equities	30	7.2	4.6

Total Variable Fund	100%	6.8%	4.2%
---------------------	------	------	------

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

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

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

Single Discount rate. A single discount rate of 6.8% was used to measure the total pension liability, as opposed to discount rate of 7.0% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index: as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 6.8% 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 municipal bond 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 of Washburn's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City of Washburn's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the City of Washburn'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 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
City of Washburn's Proportionate Share of the Net Pension Liability (Asset)	\$401,001	(\$565,132)	(\$1,260,569)

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>.

Payables to the pension plan.

As of December 31, 2022 the City reported payables to the WRS of \$19,979.

Note 3f – **Other Post-Employment Benefits - Life Insurance**

Summary of Significant Accounting Policies

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

General Information about the Other Post-Employment Benefits

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

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

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

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

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

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

Contributions rates as of December 31, 2022 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution

25% Post Retirement Coverage	20% of employee contribution
------------------------------	------------------------------

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2022 are as listed below:

Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

During the reporting period, the LRLIF recognized \$431 in contributions from the employer.

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

At December 31, 2022, the City reported a liability (asset) of \$124,490 for its proportionate share of the net OPEB liability (asset). The net OPEB liability(asset) was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. 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 OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2022 the City's proportion was 0.02106300% which was an increase of 0.003499% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2022 the City recognized OPEB expense of \$17,450.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,333)
Net differences between projected and actual earnings on OPEB plan investments	1,620	-
Change in assumptions	37,613	(6,034)
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,056	(1,837)
Employer contributions subsequent to the		

measurement date	-	-
Total	53,289	\$ (14,204)

\$0 reported as deferred outflows related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Dec 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 11,984	\$ (3,906)
2023	11,796	(3,906)
2024	11,071	(3,842)
2025	10,333	(1,491)
Thereafter	8,104	(1,059)

Actuarial assumptions. The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The total OPEB liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted

to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2021**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interim Credit	45%	1.68%
US Long Credit Bonds	Bloomberg US Long Credit	5%	1.82%
US Mortgages	Bloomberg US MBS	50%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

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

Single Discount Rate. A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.17%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)

City's proportionate share of the net OPEB liability (asset)	\$168,888	\$124,490	\$91,082
--	-----------	-----------	----------

Payables to the OPEB plan

As of December 31, 2022 the City carried a payable to the plan of \$457.

Note 4 – OTHER NOTE DISCLOSURES

Note 4a – Fund balances

Portions of fund balances are restricted and are not available for current appropriation for expenditure as follows:

Economic Dev Loan funds	\$227,473
Capital Projects Fund	402,232
Marina Operating Fund	52,081
Harbor Commission Fund	727,617
CDBG Housing Loan funds	275,121
Debt Service Fund	45,624
Bayfield St Imp Fund	87,572
Library Board Fund	126,598
Parks Fund	289,618
Defibrillator Fund	12,132
TIF District #2	97,736

Note 4b – Contingencies and commitments

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

The City participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2022 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or

eligibility of local aid programs could have a significant impact on the future operating results of the City.

The City approved a loan to a City resident in the CDBG Fund in 2022 for improvements to the resident's home. However, only a portion of the amount approved was actually spent in 2022. The unspent portion is \$41,040, which will be expended in 2023.

NOTE 4c - Change in Accounting Principle

The City has implemented GASB 87 for leases. The statement establishes a single reporting model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.

City of Washburn
Washburn, Wisconsin

Required Supplementary Information

City of Washburn, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property tax	\$ 479,443	\$ 479,443	479,697	\$ 254
Other tax	71,780	71,780	117,535	45,755
Intergovernmental aid	896,396	896,396	895,015	(1,381)
Licenses and permits	35,950	35,950	51,909	15,959
Fines, forfeits and penalties	7,750	7,750	9,644	1,894
Public charge for service	536,600	536,600	561,269	24,669
Intergovernmental charge for service	188,453	188,453	197,099	8,646
Commercial	8,000	8,000	37,429	29,429
Total revenues	<u>2,224,372</u>	<u>2,224,372</u>	<u>2,349,597</u>	<u>125,225</u>
Expenditures:				
Current:				
General government	486,485	486,485	469,471	17,014
Public Safety	850,017	850,017	774,826	75,191
Public Works	613,897	613,897	619,008	(5,111)
Health and human services	37,132	37,132	42,481	(5,349)
Culture, recreation and education	451,414	451,414	443,201	8,213
Conservation and development	19,703	19,703	14,753	4,950
Total Current	<u>2,458,648</u>	<u>2,458,648</u>	<u>2,363,740</u>	<u>94,908</u>
Debt Service:				
Other debt service	3,600	3,600	3,000	600
Total Debt service	<u>3,600</u>	<u>3,600</u>	<u>3,000</u>	<u>600</u>
Capital Expenditures	-	-	9,776	(9,776)
Total Expenditures	<u>2,462,248</u>	<u>2,462,248</u>	<u>2,376,516</u>	<u>85,732</u>
Net change in fund balance	(237,876)	(237,876)	(26,919)	210,957
Fund balance, beginning of year	1,596,325	1,596,325	1,596,325	-
Fund balance, end of year	<u>\$1,358,449</u>	<u>\$1,358,449</u>	<u>\$1,569,406</u>	<u>\$ 210,957</u>

City of Washburn, Wisconsin
Notes to Required Supplementary Information
On Budgetary Accounting and Control
Year Ending December 31, 2022

Note 1 – **STEWARDSHIP AND ACCOUNTABILITY**

Budgets are adopted each fiscal year for all funds legally required to be budgeted. The legally adopted budget and budgetary expenditure control is exercised at the function level for all funds. Reported budget amounts are as originally adopted or as amended by City Council resolution.

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

- Based upon requests from staff, administration recommends budget proposals to the City Council.
- The City Council prepares a proposed budget including proposed expenditures and the means of financing them for the January 1 through December 31 year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the City Council may alter the proposed budget.
- After the City Council (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposed of such appropriations unless authorized by a 2/3 vote of the entire City Council.
- Appropriations lapse at year-end unless authorized as a carryover by the City Council. The portion of fund balance representing carryover appropriations is reported as a reserve of fund balance.

The Marina Operating Fund and the CDBG Fund are not legally required to be budgeted, therefore no budget to actual comparison will be presented for these funds.

Note 2 – **Excess of actual expenditures over budget**

See Independent Auditor's Report

General Fund

For the year ended December 31, 2022, expenditures exceeded appropriations in the following categories:

Public Works	\$5,111
Health and Human Services	5,349
Capital Expenditures	9,776

See Independent Auditor's Report

CITY OF WASHBURN
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
WISCONSIN RETIREMENT SYSTEM

SCHEDULE OF CITY OF WASHBURN PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll (plan year)	Plan fiduciary net position as a Percentage of the Total pension Liability (Asset)	Collective Net Pension Liability (Asset) as a % of the Employer covered employee payroll
Ending					
2014	0.00709520%	\$ (174,278)	\$ 856,178	102.74%	-20.36%
2015	0.00692450%	\$ 112,522	\$ 857,520	98.20%	13.12%
2016	0.00677424%	\$ 55,836	\$ 869,992	99.12%	6.42%
2017	0.00679978%	\$ (201,893)	\$ 888,840	102.93%	-22.71%
2018	0.00693181%	\$ 246,612	\$ 935,016	96.45%	26.38%
2019	0.00703372%	\$ (126,799)	\$ 960,745	102.96%	-23.61%
2020	0.00712004%	\$ (444,513)	\$ 992,105	105.26%	-44.81%
2021	0.00712004%	\$ (565,132)	\$ 963,059	106.02%	-58.68%

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

SCHEDULE OF CITY OF WASHBURN CONTRIBUTIONS
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Ending					
2014	\$ 67,294	\$ 67,294	\$ -	\$ 856,178	7.86%
2015	\$ 64,958	\$ 64,958	\$ -	\$ 857,520	7.58%
2016	\$ 64,194	\$ 64,194	\$ -	\$ 869,992	7.38%
2017	\$ 70,081	\$ 70,081	\$ -	\$ 888,840	7.88%
2018	\$ 73,260	\$ 73,260	\$ -	\$ 935,016	7.84%
2019	\$ 73,898	\$ 73,898	\$ -	\$ 960,745	7.69%
2020	\$ 81,091	\$ 81,091	\$ -	\$ 992,105	8.17%
2021	\$ 79,217	\$ 79,217	\$ -	\$ 963,059	8.23%

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

See Independent Auditor's Report

CITY OF WASHBURN
Notes to Required Supplementary Information - WRS Pension
For the Year Ended December 31, 2022

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

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

Actuarial Assumptions

Fiscal Year	Valuation Date	Actuarial Cost Method	Amortization Method	Amortization Period	Asset Valuation Method	Weighted Based on Assumed Rate for:		Salary Increases		Seniority/Merit	Post-Retirement Benefit Adjustments*	Retirement Age	Mortality
						Net Investment Rate of Return	Pre-Retirement	Post-Retirement	Wage Inflation				
2013	12/31/2011	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2014	12/31/2012	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2015	12/31/2013	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2016	12/31/2014	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2017	12/31/2015	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2018	12/31/2016	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2019	12/31/2017	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below
2020	12/31/2018	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below
2021	12/31/2019	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below

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

1. Level percent of payroll-closed amortization period
2. 30 year closed from date of participation in WRS
3. Five year smoothed market (closed)
4. Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-17.
5. Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).

CITY OF WASHBURN, WI
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
LOCAL RETIREE LIFE INSURANCE FUND

SCHEDULE OF CITY OF WASHBURN'S PROPORTIONATE SHARE
OF THE NET OPEB LRLIF LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
Last 10 Fiscal Years*

	2017	2018	2019	2020	2021
City of Washburn's proportion of the net OPEB liability (asset)	0.018202%	0.017062%	0.016787%	0.017564%	0.021063%
City of Washburn's proportionate share of the net OPEB liability (asset)	\$54,762	\$44,026	\$71,482	\$96,615	\$124,490
City of Washburn's covered-employee payroll	\$765,446	\$766,000	\$889,000	\$804,000	\$915,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%	37.58%	31.36%	29.57%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

SCHEDULE OF CITY OF WASHBURN CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
Last 10 Fiscal Years*

	2017	2018	2019	2020	2021
Contractually required contributions	\$345	\$328	\$303	\$350	\$431
Contributions in relation to the contractually required contributions	\$345	\$328	\$303	\$350	\$431
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City of Washburn's covered-employee payroll	\$765,446	\$766,000	\$889,000	\$804,000	\$915,000
Contributions as a percentage of covered-employee payroll	0.045072%	0.042820%	0.034083%	0.043532%	0.047104%

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

See Independent Auditor's Report

CITY OF WASHBURN, WI
Notes to Required Supplementary Information
For the Year Ended December 31, 2022

Changes in benefit terms. There were no recent changes in benefit terms.

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

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

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

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

See Independent Auditor's Report

City of Washburn
Washburn, Wisconsin

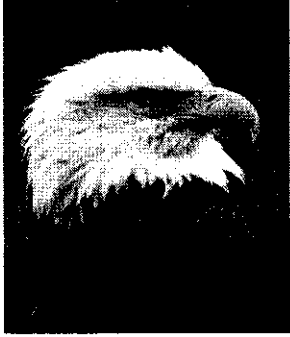
Other Supplementary Information

City of Washburn, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2022

	Special Revenue Funds						TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund	Total Nonmajor Govt Funds
	Harbor Commission Fund	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Parks Outlay Fund	Defibrillator Campaign Fund					
Assets											
Cash	562,183	-	67,572	126,598	289,618	12,192	-	-	183,837	45,532	1,307,532
Receivables:											
Taxes receivable	-	-	-	-	-	-	289,269	-	-	-	289,269
Due from other funds	195,752	-	-	-	-	-	-	-	234,595	92	430,439
Restricted cash	-	178,451	-	-	-	-	97,736	76,149	-	-	352,336
Long term receivable	-	49,022	78,248	-	-	-	-	-	-	-	125,270
Total Assets	\$ 758,775	\$ 227,473	\$ 163,820	\$ 126,598	\$ 289,618	\$ 12,192	387,005	76,149	418,432	\$ 45,624	\$ 2,505,686
Liabilities and Fund Balance											
Liabilities											
Accounts payable	31,158	-	-	-	-	60	-	-	16,200	-	47,418
Due to other funds	-	-	-	-	-	-	-	234,595	-	-	234,595
Total Liabilities	31,158	-	-	-	-	60	-	234,595	16,200	-	282,013
Deferred Inflows of Resources											
Tax levies	-	-	-	-	-	-	289,269	-	-	-	289,269
Amounts paid to recipients of façade loan funds	-	-	76,248	-	-	-	-	-	-	-	76,248
Total Deferred Inflows of Resources	-	-	76,248	-	-	-	289,269	-	-	-	365,517
Fund Balance											
Restricted	727,617	227,473	87,572	126,598	289,618	12,132	97,736	-	402,232	45,624	2,016,602
Unassigned	-	-	-	-	-	-	-	(158,446)	-	-	(158,446)
Total Fund Balance	727,617	227,473	87,572	126,598	289,618	12,132	97,736	(158,446)	402,232	45,624	1,858,156
Total Liabilities and Fund Balance	\$ 758,775	\$ 227,473	\$ 163,820	\$ 126,598	\$ 289,618	\$ 12,192	\$ 387,005	\$ 76,149	\$ 418,432	\$ 45,624	\$ 2,505,686

City of Washburn, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue Funds										
	Harbor Commission	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Park Outlay Fund	Defibrillator Campaign Fund	TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund	Total Nonmajor Govt Funds
Revenues:											
Property tax	\$ -	\$ -	\$ -				225,036	44,856	295,900	\$ 315,668	\$ 881,460
Other tax	-	-	-				559		-	-	559
Intergovernmental aid	-	-	106,553	-	5,484	29,124	4,035	524	-	-	145,720
Public charge for service	148,648	-	-		41,416				-	-	190,064
Commercial	159,449	1,732	170,832	7,215	1,614	12	271	249	689	395	342,458
Total revenues	<u>308,097</u>	<u>1,732</u>	<u>277,385</u>	<u>7,215</u>	<u>48,514</u>	<u>29,136</u>	<u>229,901</u>	<u>45,629</u>	<u>296,589</u>	<u>316,063</u>	<u>1,560,261</u>
Expenditures:											
Current:											
General government	-	-	-				3,916		40,645	-	44,561
Public Safety	-	-	-			26,030			4,601	-	30,631
Public Works	198,004	-	399,961					-	79,103	-	677,068
Health and human services	-	-	-						7,700	-	7,700
Culture, recreation and education	-	-	-	59,450	22,215				19,308	-	100,973
Conservation and development	-	-	-					6,242	-	-	6,242
Total Current	<u>198,004</u>	<u>-</u>	<u>399,961</u>	<u>59,450</u>	<u>22,215</u>	<u>26,030</u>	<u>3,916</u>	<u>6,242</u>	<u>151,357</u>	<u>-</u>	<u>867,175</u>
Debt Service:											
Principal	51,907						105,616			289,329	446,852
Interest	9,072						7,177			26,251	42,500
Total Debt service	<u>60,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,793</u>	<u>-</u>	<u>-</u>	<u>315,580</u>	<u>489,352</u>
Capital Expenditures	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>2,658</u>	<u>-</u>	<u>-</u>	<u>111,900</u>	<u>-</u>	<u>114,558</u>
Total Expenditures	<u>258,983</u>	<u>-</u>	<u>399,961</u>	<u>59,450</u>	<u>22,215</u>	<u>28,688</u>	<u>116,709</u>	<u>6,242</u>	<u>263,257</u>	<u>315,580</u>	<u>1,471,085</u>
Excess of revenue over(under) expenditures	<u>49,114</u>	<u>1,732</u>	<u>(122,576)</u>	<u>(52,235)</u>	<u>26,299</u>	<u>448</u>	<u>113,192</u>	<u>39,387</u>	<u>33,332</u>	<u>483</u>	<u>89,176</u>
Other Financing Sources (Uses):											
Transfer from (to) other funds	-	-	5,006	-	-	(5,006)	-	-	-	-	-
Total Other Sources(Uses)	<u>-</u>	<u>-</u>	<u>5,006</u>	<u>-</u>	<u>-</u>	<u>(5,006)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>49,114</u>	<u>1,732</u>	<u>(117,570)</u>	<u>(52,235)</u>	<u>26,299</u>	<u>(4,558)</u>	<u>113,192</u>	<u>39,387</u>	<u>33,332</u>	<u>483</u>	<u>89,176</u>
Fund balance, beginning of year	<u>678,503</u>	<u>225,741</u>	<u>205,142</u>	<u>178,833</u>	<u>263,319</u>	<u>16,690</u>	<u>(15,456)</u>	<u>(197,833)</u>	<u>368,900</u>	<u>45,141</u>	<u>1,768,980</u>
Fund balance, end of year	<u>\$ 727,617</u>	<u>\$ 227,473</u>	<u>\$ 87,572</u>	<u>\$ 126,598</u>	<u>\$ 289,618</u>	<u>\$ 12,132</u>	<u>\$ 97,736</u>	<u>\$ (158,446)</u>	<u>\$ 402,232</u>	<u>\$ 45,624</u>	<u>\$ 1,858,156</u>



EAGLE AUDIT & ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Members of:
American Institute of Certified Public Accountants
Wisconsin Institute of Certified Public Accountants
Government Audit Quality Center

**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**

1181 NORTH FOURTH
AVENUE
PARK FALLS,
WISCONSIN
PHONE 715-661-0621
FAX 715-762-3359
robbiller@pctcnet.net

Independent Auditor's Report

To the City Council
City of Washburn
Washburn, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washburn ("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 June 30, 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 City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City of Washburn'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 the response.

Purpose of this Report

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

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC

Certified Public Accountants
Park Falls, Wisconsin
June 30, 2023

City of Washburn, WI
Schedule of Findings and Responses
For the Year Ended December 31, 2022

Section 1 - Summary of Auditor's Results

Financial Statements Findings

	Yes	No	
Type of auditors' report issued			Unmodified
Internal control over financial reporting:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	X		
Noncompliance material to the financial statements		None reported	

Section 2 - Financial Statement Findings

Finding 2022-001: Segregation of Duties– Significant Deficiency – Repeat Finding

Criteria: It is the responsibility of management to establish proper internal controls over financial reporting, of which an important part is proper segregation of duties among finance personnel.

Condition: The size of the office staff precludes a proper segregation of functions to assure adequate internal control.

Context: Information provided to management throughout the year may be incorrect due to errors and/or inconsistencies due to the concentration of duties and responsibilities in a single individual. We did not identify any errors in the course of our audit work.

Effect: Incorrect data may be entered into the financial system without being detected by proper system of controls.

Cause: The small size of the City does not allow for multiple positions within the finance department.

Information to Provide Perspective: The City's finance staff consists of one full time position and one assistant position.

Recommendation: Although this is not unusual in entities of your size, administration and the Council should continue to be aware of this situation and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under these conditions, the most effective controls lie in the Council's knowledge of matters relating to the City's operations.

View of Responsible Officials: Management concurs with the finding and has determined that the economic cost of addressing this issue outweighs the benefits at this time.

Finding 2022-002: Client Preparation of Financial Statements – Significant Deficiency – Repeat Finding

Criteria: Preparation of financial statements is a client responsibility.

Condition: The City has a single finance person that has the ability to prepare financial statements, but due to the time constraints of other duties does not have the time available.

Context: Financial statements are prepared by the independent auditor with information provided by the City.

Effect: This condition may cause an impairment of independence of the auditor and proper safeguards of client review and acceptance of the financial statements are in place.

Cause: The small size of the City does not allow for adequate time for the Treasurer to prepare financial statements consistent with full presentation and disclosure standards.

Information to Provide Perspective: The City's finance staff consists of one full time position and one assistant position.

Recommendation: Although this is not unusual in cities of your size, the Council should continue to be aware of this situation and to realize that the preparation of financial statements is a client responsibility. Under these conditions, the most effective controls lie in the Treasurer and the City Council's knowledge of financial statement presentation and disclosure and review of auditor prepared financial statements.

Views of Responsible Officials: Management concurs with the finding and has determined that the economic cost of addressing this issue outweighs the benefits at this time.

Section 3 – Other Issues

	Yes	No
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?		X
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with <i>State Single Audit Guidelines</i> :		X
Was a Management Letter or other document conveying audit comments issued as a result of this audit	X	

Name and signature of partner: Robert M. Biller, CPA

Robert M. Biller

Date of report

June 30, 2023

CITY OF WASHBURN
119 Washington Avenue
P.O. Box 638
Washburn, WI 54891



715-373-6160
715-373-6161
FAX 715-373-6148

City of Washburn, Wisconsin
Status of Prior Year Audit Findings
And Corrective Action Plan

For the Year Ending December 31, 2022

Status of Prior Year Audit Findings

2021-001 Lack of Segregation of Duties – This is a continuing finding with no change expected. Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

2021-002 Preparation of Financial Statements– This is a continuing finding with no change expected. Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

Corrective Action Plan

2022-001 Lack of Segregation of Duties – ongoing finding

Mitigating Controls – The City Treasurer and the City Administrator/Clerk divide the duties to the extent to partially provide a means of checks and balances over cash receipts and disbursements

2022-002 Preparation of Financial Statements – ongoing finding

The City has assigned a staff member with the required skills, knowledge and experience to review and accept the financial statements as prepared by the auditors

The City of Washburn contact official for findings is as follows:

Scott Kluver
Finance Administration
715-373-6160

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER

— LAW FIRM —

§ _____
GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A
CITY OF WASHBURN, WISCONSIN

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Washburn, Bayfield County, Wisconsin (the “Issuer”), of its \$ _____ General Obligation Promissory Notes, Series 2024A, dated June 4, 2024, as the date of original issue (the “Notes”). The Notes are issued pursuant to Chapter 67, Wisconsin Statutes.

For purposes of this opinion, we have examined the law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer in the authorization, sale and issuance of the Notes. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon such examination, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals, and assuming the genuineness of the signatures thereon and the accuracy of the facts and representations stated therein, and on the basis of laws, regulations, rulings and decisions in effect on the date hereof, but excluding any legislation which may have a retroactive effective date prior to the date hereof, it is our opinion that:

1. The Notes are valid and binding general obligations of the Issuer enforceable in accordance with their terms.
2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of and interest on the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent the necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

CLOQUET
813 Cloquet Ave.
Cloquet, MN 55720
p: (218) 879-6830

DULUTH
302 West Superior St.
Ste 700
Duluth, MN 55802
p: (218) 722-0861

SUPERIOR
1409 Hammond Ave., Suite 330
Superior, WI 54880
p: (715)392-7405

ST. PAUL
c/o 302 West Superior St.
Ste 700
Duluth, MN 55802
p: (651)221-1044

Page 2

3. The Notes, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

4. The Notes have been designated by the Issuer as “qualified tax-exempt obligations” under and within the meaning of Section 265(b)(3)(b) of the Code.

We express no opinion regarding tax consequences arising with respect to the Notes, other than as set forth in paragraphs 3 and 4 above.

For the purpose of rendering the opinion set forth in paragraphs 3 and 4 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in federal gross income retroactive to the date of issuance of the Notes.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Dated: June 4, 2024

Respectfully submitted,

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

LIMITED CONTINUING DISCLOSURE CERTIFICATE

This Limited Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Washburn, Wisconsin (the “Issuer”) in connection with the issuance of the \$ _____ General Obligation Promissory Notes, Series 2024A, dated June 4, 2024 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer adopted on May 13, 2024 (the “Resolution”). The Issuer certifies (i) that it is the only obligated person with respect to the Obligations; and (ii) that on the date hereof, the Issuer is an obligated person with respect to less than \$10,000,000 aggregate amount of outstanding municipal securities, including the Obligations, and thus limited continuing disclosure pursuant to subparagraph (d)(2) of the Rule is required. The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Preliminary Official Statement, dated _____, 2024, delivered in connection with the original issuance and sale of the Obligations, together with the final Official Statement and any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2023, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer’s financial information or operating data shall contain or consist of the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
 - (2) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
 - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
 - (6) tender offers;
 - (7) defeasances;
 - (8) rating changes;
 - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) non-payment related defaults;
- (2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;
- (3) modifications to rights of holders of the Obligations;
- (4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of June 4, 2024.

CITY OF WASHBURN, WISCONSIN

By _____
Mary D. Motiff, Mayor

By _____
Scott J. Kluver, Administrator /Clerk

M:\DOCS\14724\000014\CER\1CZ5128.DOCX

NOTICE OF SALE

**\$3,135,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A
CITY OF WASHBURN, WISCONSIN**

Bids for the purchase of \$3,135,000* General Obligation Promissory Notes, Series 2024A (the "Notes") of the City of Washburn, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 9:30 A.M. Central Time, on May 13, 2024, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

AUTHORITY; PURPOSE; SECURITY

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including 2024 Parks, Streets, City Code Codification, and to purchase Public Works Equipment and a Fire Truck. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Notes will be dated June 4, 2024, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on June 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$140,000	2032	\$135,000	2039	\$150,000
2026	225,000	2033	145,000	2040	165,000
2027	240,000	2034	155,000	2041	165,000
2028	125,000	2035	130,000	2042	175,000
2029	125,000	2036	135,000	2043	185,000
2030	130,000	2037	140,000	2044	195,000
2031	130,000	2038	145,000		

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on June 1 and December 1 of each year, commencing June 1, 2025, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after June 1, 2033 shall be subject to optional redemption prior to maturity on June 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

DELIVERY

On or about June 4, 2024, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

Legal matters incident to the issuance and sale of the Notes and with regard to the tax-exempt status of interest on the Notes under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Notes is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF BIDS

Bids must not be for less than \$3,095,813 plus accrued interest on the principal sum of \$3,135,000 from date of original issue of the Notes to date of delivery. **The maximum proposal allowed will be \$3,448,500.** Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 9:30 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$62,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Notes from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;

- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the winning bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its bid form to determine the issue price for the Notes. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Notes, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Notes prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

City of Washburn, Wisconsin

BID FORM

The Common Council
City of Washburn, Wisconsin (the "City")

May 13, 2024

RE: \$3,135,000* General Obligation Promissory Notes, Series 2024A (the "Notes")
DATED: June 4, 2024

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,095,813 *and not more than \$3,448,500*) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2032	_____ % due	2039
_____ % due	2026	_____ % due	2033	_____ % due	2040
_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038		

The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A rating for the Notes may not be requested without contacting Ehlers and receiving the permission of the City.

A good faith deposit ("Deposit") in the amount of \$62,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about June 4, 2024.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ___ NO: ___.

If the competitive sale requirements are not met, we elect to use either the: ___ 10% test, or the ___ hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 4, 2024 of the above bid is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Washburn, Wisconsin, on May 13, 2024.

By: _____ By: _____
Title: _____ Title: _____