



FINANCE COMMITTEE MEETING AGENDA

MONDAY, SEPTEMBER 11, 2023 AT 5:30 PM

MUNICIPAL BUILDING COUNCIL CHAMBERS – 106 JONES STREET, WATERTOWN, WI 53094

By Phone or GoToMeeting: Members of the media and the public may attend by calling:

+1 (571) 317-3122 **Access Code:** 153-925-469 or <https://www.gotomeet.me/EMcFarland>

All public participants' phones will be muted during the meeting except during the public comment period.

1. CALL TO ORDER

2. REVIEW AND APPROVE MINUTES

- [A.](#) Finance minutes of August 21, 2023
- [B.](#) Finance Minutes of September 5, 2023

3. BUSINESS

- [A.](#) Presentation of 2022 Financial Statements by Baker Tilly
- [B.](#) Review and take action: apply for the Wisconsin Department of Natural Resources 2024 Urban Forestry Grant
- [C.](#) Review and take possible action: entering into a Memorandum of Understanding for Use and Cost Sharing between the City of Watertown and Watertown Public Library
- [D.](#) Review and take possible action: transferring ownership of 100 Western Avenue
- [E.](#) Review and Discuss: Fund 1 Income Statement through August 2023
- F. Convene into closed session per Wis. Stat. Sec. 19.85(1)(g) to confer with legal counsel of the governmental body who is rendering oral or written advice concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. (Expenses for Pride in the Park)
- G. Reconvene into open session
- H. Convene into closed session per § 19.85(c) considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility (Police Union Contract)
- I. Reconvene into open session
- J. Review and take action: recommending acceptance of Police Union Contract
- K. Convene into closed session per § 19.85(c) considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility (Contract Negotiations with IAFF Local 877)
- L. Reconvene into open session
- M. Review and Take Possible Action: Fire Department Union Agreement

4. ADJOURNMENT

Persons requiring other reasonable accommodations for any of the above meetings, may contact the office of the City Clerk at mdunneisen@watertownwi.gov, phone 920-262-4006

A quorum of any City of Watertown Council, Committee, Board, Commission, or other body, may be present at this meeting for observing and gathering of information only



FINANCE COMMITTEE MEETING MINUTES

MONDAY, AUGUST 21, 2023, AT 5:30 PM

MUNICIPAL BUILDING COUNCIL CHAMBERS – 106 JONES STREET, WATERTOWN, WI 53094

Members present: Mayor McFarland, Alderpersons Bartz, Davis, Lampe, and Moldenhauer

Others present: Finance Director Stevens, City Attorney Chesebro, Police Chief Kaminski, Park/Rec Director Butteris (video), Water/WW Manager Pete Hartz, Media Coordinator Lisa Famularo, Andrea Peters, Ben Olsen, David Brower, Stephanie Juhl (video)

1. **Call to order.** Mayor McFarland called the meeting to order at 5:30 p.m.
2. **Minutes** from the meeting of **August 7** were presented. Ald. Lampe, seconded by Ald. Moldenhauer, moved to approve. Unanimous voice vote.
3. Andrea Peters presented a list of **EMS billing accounts** with a **request for write-off** due to exhausted collection efforts (deceased, unable to locate, determined uncollectible by WI DOR). Ald. Bartz motioned to approve the list presented, seconded by Ald. Davis. All approved through voice vote.
4. Lisa Famularo requested permission to **hire Shea Harrod** to fill the vacancy of **media productions manager** at grade/step G2 [\$22.12 per hour] starting August 28. Five applied; Shea has nine years of experience in local government communications. Ald. Lampe moved, supported by Ald. Davis, to approve the request to hire. Unanimous voice vote.
5. Water Manager Hartz requested permission to **submit the assistant utility billing clerk** position description to our HR consultant **for evaluation of pay grade assignment**. This position was originally included in the administrative assistant project, but was deemed to not belong to that group. Ald. Lampe made a motion, seconded by Ad. Bartz, to move forward with the review. All approved.
6. Chief Kaminski asked to have the **job positions of police department support staff** that aren't administrative assistants **reviewed for pay grade assignment**. The positions include community service officer, investigations technician, clerk/typist, and records clerk. Ald. Davis offered a motion, supported by Ald. Lampe, to approve this request. Unanimous voice vote.
7. The **system maintenance agreement for the 911 software system** expired in July. It had been anticipated that the upgrade replacement being purchased in conjunction with Jefferson County would have been installed before this expiration. Chief Kaminski drafted a resolution requesting budget modification totaling \$21,563 within the Police Department to afford the renewal of the maintenance agreement. A motion to approve as presented was made by Ald. Lampe and seconded by Ald. Moldenhauer. Approved by committee.
8. Attorney Chesebro updated the committee on the status of the **burned property at 100 Western Ave.** The 2022 property tax bill of approximately \$5K has been paid. An intergovernmental agreement with Jefferson County to assist in the purchase of the property should be resolved in the next three weeks.
9. The committee had requested a summary of the **special event permits** issued in 2022 and 2023 that had fees assessed. Finance Director Stevens provided this information.

10. Ald. Moldenhauer moved, seconded by Ald. Lampe, to **convene into closed session** per Wis. § 19.85(1)(g) to confer with legal counsel of the governmental body who is rendering oral or written advice concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved (expenses for Pride in the Park). The committee approved via roll call vote.
11. The committee reconvened into open session.
12. Ald. Lampe, supported by Ald. Davis, motioned to **table the agenda item to determine the amount to invoice for Pride in the Park** until the next regularly scheduled Finance Committee meeting (9/11/23). Approved by voice vote.
13. Ald. Davis moved, supported by Ald. Bartz, to **convene into closed session** per Wis. § 19.85(1)(b) considering discipline of any public employee or officer of any person licensed by governing body or investigation of charges against such person. No formal action or evidentiary hearing will occur. The committee approved via roll call vote.
14. The committee reconvened into open session.
15. Adjournment. Ald. Bartz moved to adjourn, seconded by Ald. Davis, at 7:34 pm and carried by unanimous voice vote.

Respectfully submitted,

Mark Stevens, Finance Director

Note: These minutes are uncorrected, and any corrections made thereto will be noted in the proceedings at which these minutes are approved.



FINANCE COMMITTEE MEETING MINUTES

MONDAY, SEPTEMBER 05, 2023, AT 6:30 PM

MUNICIPAL BUILDING COUNCIL CHAMBERS – 106 JONES STREET, WATERTOWN, WI 53094

Members present: Mayor McFarland, Alderpersons Bartz, Davis, and Lampe

Others present: Finance Director Stevens, City Attorney Chesebro, Fire Chief Travis Teesch, Anthony Rauterberg, fire fighters, Nick Patterson (TWall)

1. **Call to order.** Mayor McFarland called the meeting to order at 6:30 p.m.
2. Chief Teesch reviewed the closed bid process that took place to **secure Construction Management at Risk Services for the fire station project**. Five proposals were submitted, and the review committee considered two as qualified. Maas Brothers and Miron were invited to in-person interviews with the panel. The committee unanimously determined that Maas Brothers Construction (Watertown) is the best choice for this project. The offer was a 2.5% construction management fee. The total for pre-construction services, construction management fee, insurance, performance bond, general conditions costs, and general requirement costs is \$966,770. Ald. Davis, supported by Ald. Lampe, approved that a contract be crafted to hire Maas Brothers Construction as recommended by Chief Teesch. Unanimous voice vote.
3. Ald. Bartz moved, seconded by Ald. Lampe, to **convene into closed session** per Wis. § 19.85(1)(e) for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session (Main Street Watertown, LLC n/k/a Riverhouse on the Rock, LLC request for extension to Development Agreement). The committee approved via roll call vote.
4. The committee reconvened into open session.
5. Adjournment. Ald. Lampe moved to adjourn, seconded by Ald. Davis, at 6:56 pm and carried by unanimous voice vote.

Respectfully submitted,

Mark Stevens, Finance Director

Note: These minutes are uncorrected, and any corrections made thereto will be noted in the proceedings at which these minutes are approved.



City of Watertown

2022 Financial highlights

Presentation to the Finance Committee
September 11, 2023

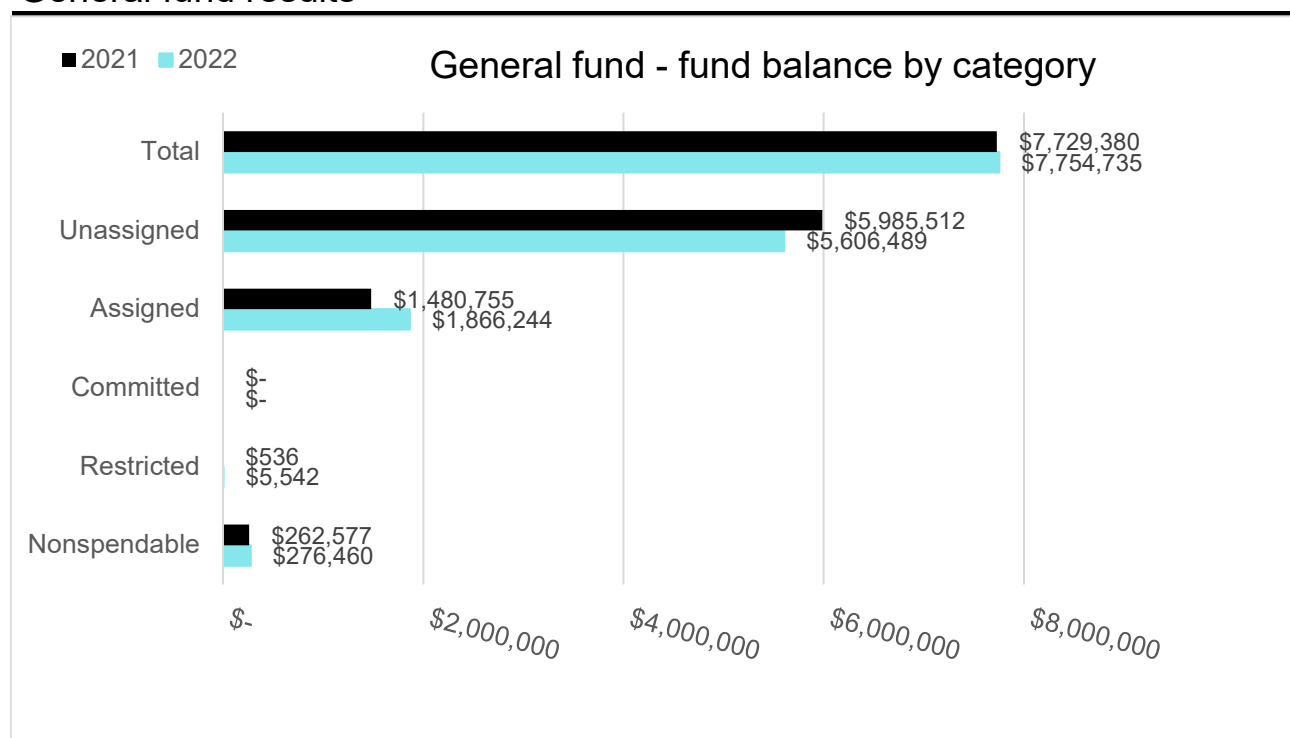
Client service team

Andrea Jansen, CPA, CFE, Partner
Vasvi Joshi, CPA, Senior Manager
Michelle Walter, CPA, Senior Manager



City of Watertown

General fund results



Summarized income statement

	Actual	Final budget	Variance
Revenues and other financing sources	\$ 18,047,853	\$ 18,202,445	\$ (154,592)
Expenditures and other financing uses	18,022,498	18,524,188	501,690
Net change in fund balance	<u>\$ 25,355</u>	<u>\$ (321,743)</u>	<u>\$ 347,098</u>

Fund balance category definitions

Nonspendable - amounts cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained in tact.

Restricted - amounts that can be spent only for the specific purposes stipulated by an external source.

Committed - amounts constrained for specific purposes that are internally imposed through formal action of the governing body.

Assigned - spendable amounts that are intended to be used for specific purposes that are not considered restricted or committed.

Unassigned - residual amounts that have not been classified within other categories above.



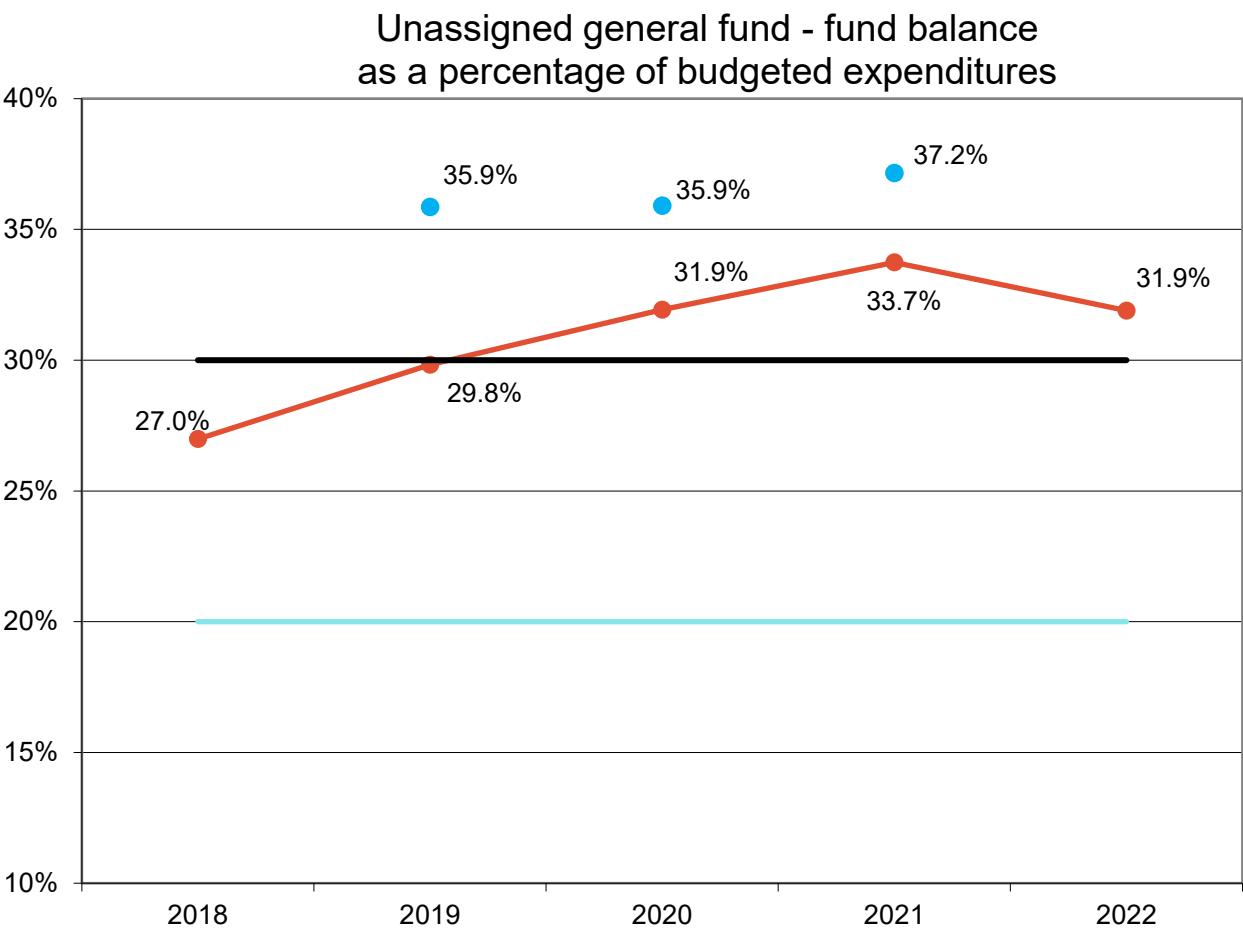
City of Watertown

General fund - fund balance trends

Fund balance policy:

To maintain a unassigned balance within a range of 20% to 30% of annual budgeted expenditures, with a targeted goal of 25%.

General Fund Actual Policy minimum Policy maximum Reference - Median



Other reference values

GFOA recommends a minimum of no less than 2 months (16.7%) of general fund expenditures.

Median reference value generated from 2018 - 2021 Baker Tilly municipal client data for population range from 17,500 to 30,000 and are based on actual expenditures rather than budget amounts.

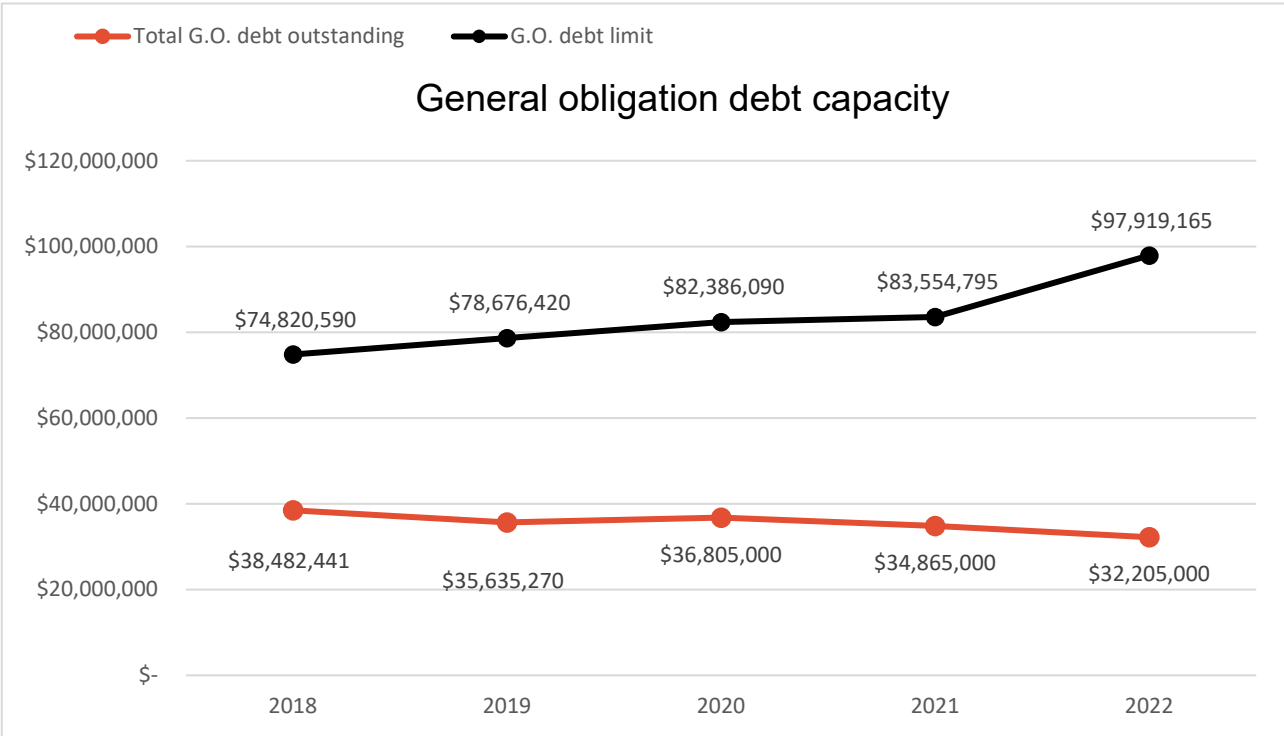


City of Watertown
General obligation debt

Debt management policy:

The City does not currently have a debt management policy.

Actual percentage of debt limit at 12/31/22: **33%**



Total debt outstanding by type at 12/31/2022

	General obligation	Revenue debt	Total
City	\$ 32,060,000	\$ -	\$ 32,060,000
Utility	145,000	9,900,897	10,045,897
Total	\$ 32,205,000	\$ 9,900,897	\$ 42,105,897

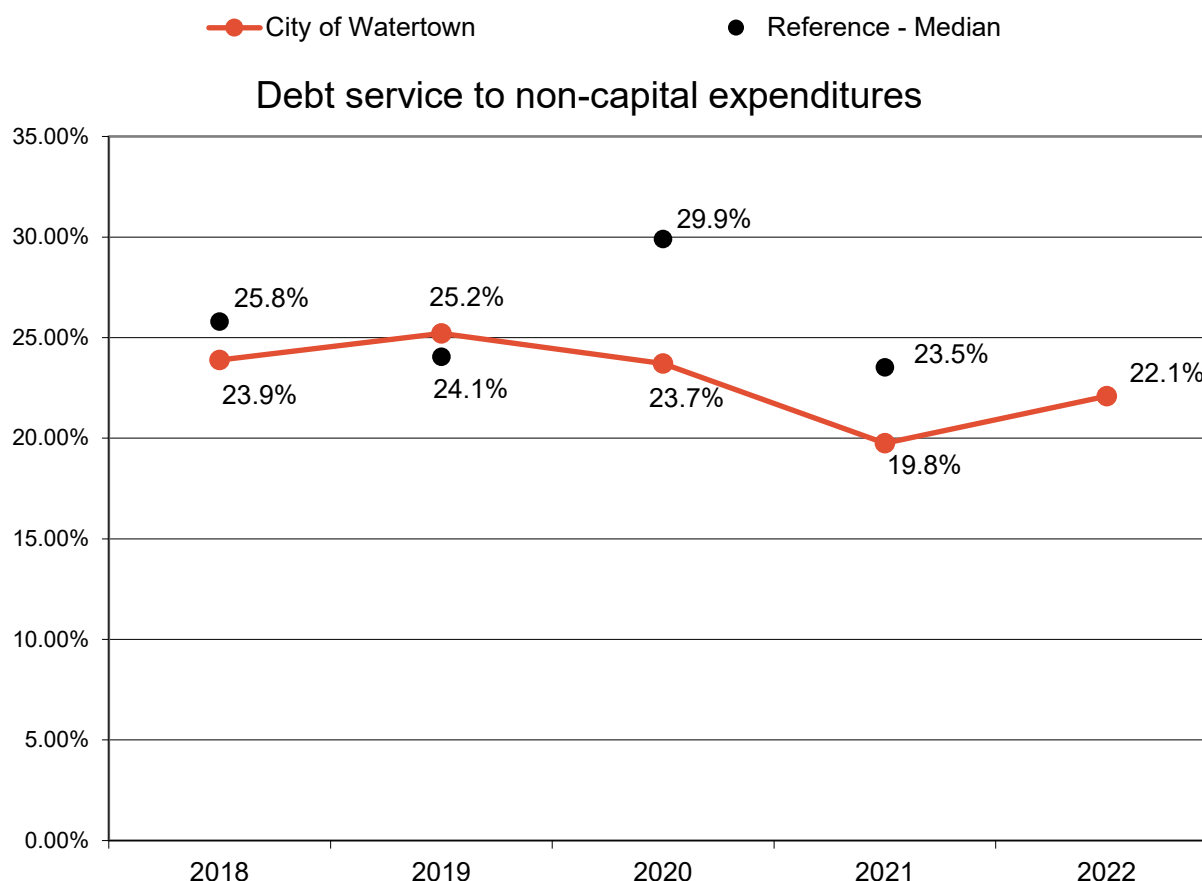
Comparative metrics available online through the Wisconsin Policy Forum.
<https://wispolicyforum.org/research/municipal-datatool-examining-and-comparing-wisconsin-cities-and-villages/>

Select "Debt" -- options for custom comparisons or comparisons by county



City of Watertown

Governmental funds - debt service



Current and prior year data

	2022	2021
Principal	\$ 5,120,000	\$ 5,038,354
Interest	996,723	1,190,770
Total	<u>\$ 6,116,723</u>	<u>\$ 6,229,124</u>
Non-capital expenditures	<u>\$ 27,682,890</u>	<u>\$ 31,539,520</u>

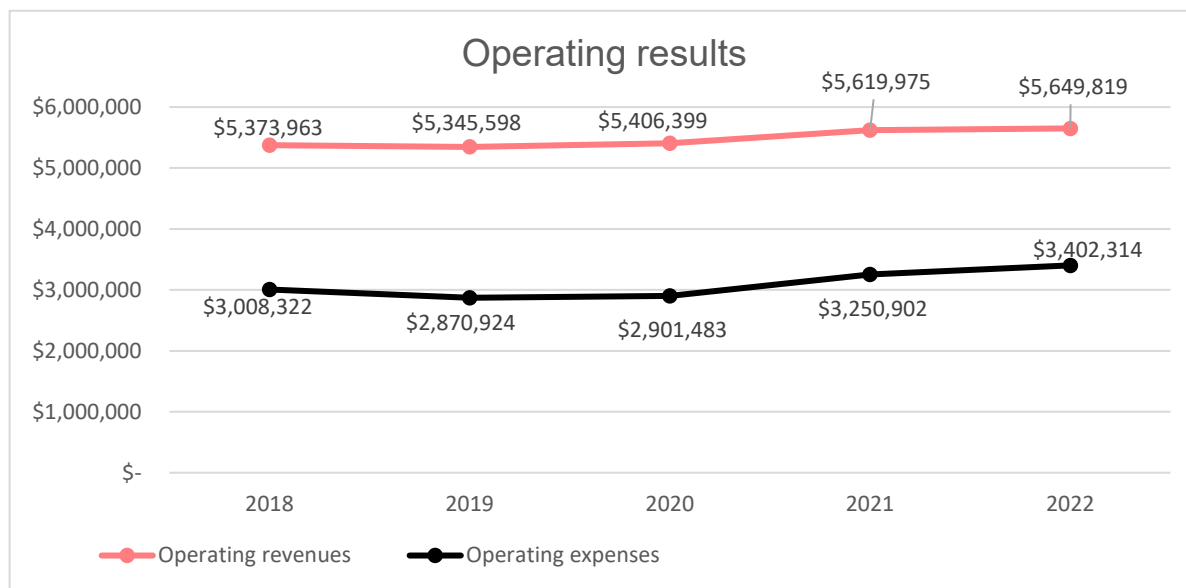
Other reference values

Median reference value generated from 2018 - 2021 Baker Tilly municipal client data for population range from 17,500 to 30,000.



Watertown Water Utility Operating Results

	<u>Current Year</u>	<u>Prior Year</u>
Actual Rate of Return	5.60%	5.09%
Authorized Rate of Return	5.75%	5.75%



Unrestricted Reserves

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Year end balance	\$ 3,103,678	\$ 4,128,312	\$ 4,745,529	\$ 5,111,977	\$ 5,280,841
Months on hand	6.93	9.27	10.53	10.92	11.22

Debt Coverage

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actual	2.84	2.93	2.94	2.80	4.21
Required	1.25	1.25	1.25	1.25	1.25

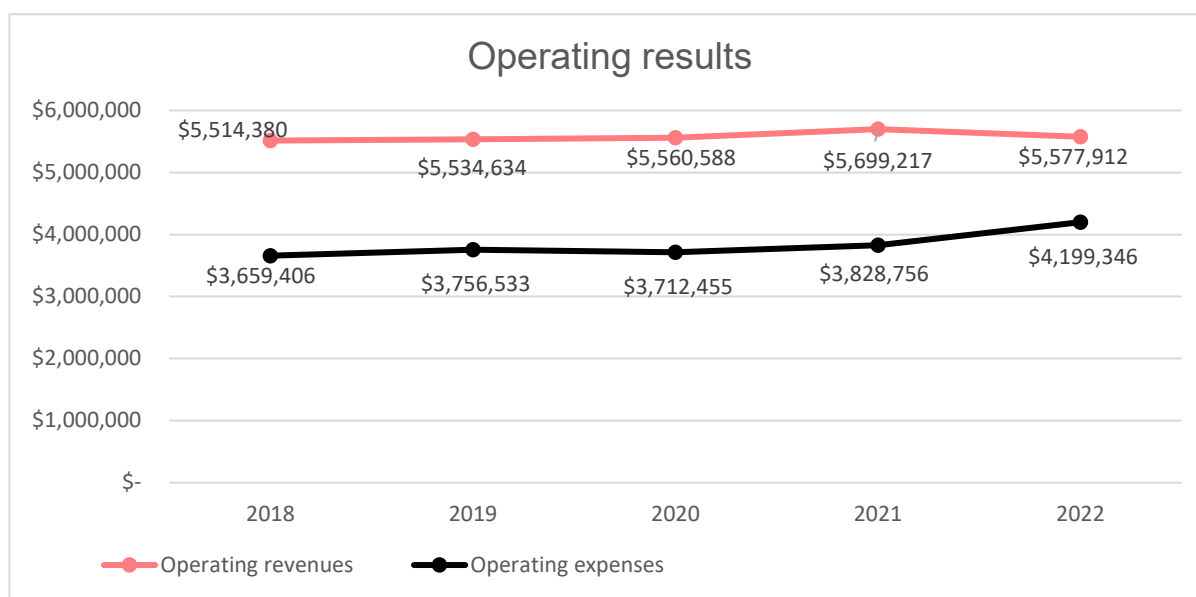
Investment in Capital





Watertown Wastewater Utility

Operating Results



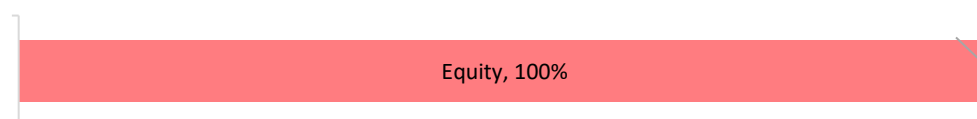
Unrestricted Reserves

	2018	2019	2020	2021	2022
Year end balance	\$ 4,038,670	\$ 4,390,576	\$ 3,581,462	\$ 3,899,159	\$ 5,147,039
Months on hand	8.79	9.52	7.73	8.21	11.07

Debt Coverage

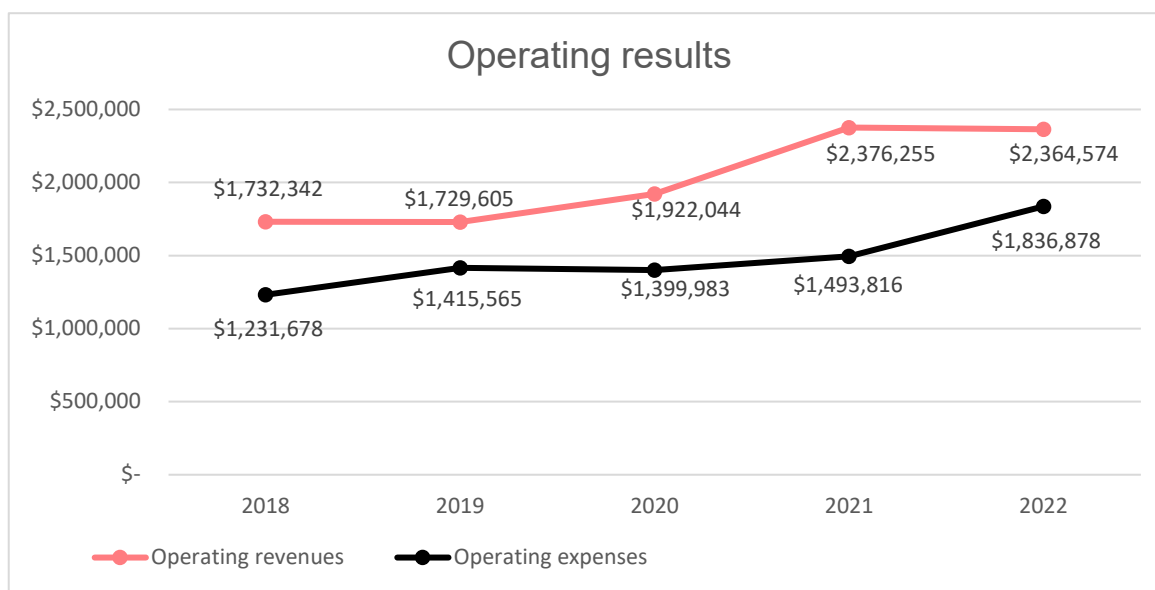
	2018	2019	2020	2021	2022
Actual	1.90	1.95	1.92	1.91	N/A
Required	1.10	1.10	1.10	1.10	N/A

Investment in Capital





Watertown Stormwater Utility Operating Results



Unrestricted Reserves

	2018	2019	2020	2021	2022
Year end balance	\$ 1,751,207	\$ 2,083,551	\$ 2,643,602	\$ 3,093,905	\$ 3,739,925
Months on hand	12.13	14.46	16.50	15.62	18.98

Investment in Capital





Reporting and insights from 2022 audit:

City of Watertown

December 31, 2022

Executive summary

August 31, 2023

The City Council
City of Watertown
106 Jones Street
Watertown, WI 53094

We have completed our audit of the financial statements of the City of Watertown (the City) for the year ended December 31, 2022, and have issued our report thereon dated August 31, 2023. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your City's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

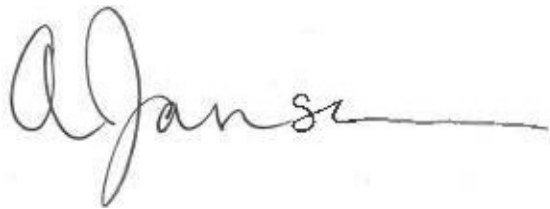
Additionally, we have included information on key risk areas the City of Watertown should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Andrea Jansen, Partner: andrea.jansen@bakertilly.com or +1 (608) 240 2338
- Vasvi Joshi, Senior Manager: vasvi.joshi@bakertilly.com or +1 (608) 240 2453

Sincerely,

Baker Tilly US, LLP



Andrea Jansen, CPA, CFE, Partner

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the City's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal and major state programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines* about the entity's compliance with requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs.
- Our audit does not relieve management or the City Council of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the City Council, including:

- Internal control matters
- Qualitative aspects of the City's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the City and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Analysis of new accounting standards
- Areas of complexity including TIF Districts and federal and state grants

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the City's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on nonfinancial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension liabilities (asset)	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures

Internal control matters

We considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified the following deficiencies as material weaknesses:

- **Financial statement close process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Complete and accurate schedule of expenditures of federal and state awards is prepared.
- Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes including the schedule of federal and state awards, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principle or the schedule of expenditures of federal and state awards that is in conformance with the applicable federal or state requirements. In addition, material misstatements in the general ledger were identified during the financial audit.

Other comments and recommendations

• **Decentralized Cash Collections**

Many governments collect cash at numerous decentralized locations that are separate from the primary system of accounting procedures and controls. The opportunity for theft is often higher at those locations because one person is frequently involved in most, if not all, aspects of a transaction (i.e., lack of segregation of duties).

Examples in your government that fit this situation include: swimming pool, aquatic center, building inspector, senior center/recreation, municipal court, library, health, safety and zoning office.

Management is responsible for designing and implementing controls and procedures to detect and prevent fraud. As a result, we recommend that management review its decentralized cash collection procedures and controls on a periodic basis and make changes as necessary to strengthen the internal control environment. Reviewing the adequacy of the controls is a responsibility of the governing body.

Below are example procedures and controls to help mitigate the risk of loss at decentralized cash collection points:

- Implement a centralized receipting process with adequate segregation of duties
- For cash collections, ensure pre-numbered receipts are being used and all receipts in the sequence are being reviewed by someone other than the person receipting the cash and receipts tie to deposits
- Perform surprise procedures at decentralized locations (cash counts, walkthrough of processes, etc.)
- Require regular cash deposits to minimize collection on hand
- Limit the number of separate bank accounts
- Segregate duties as much as possible – the person receipting cash should be separate from the person preparing deposits and the person reconciling bank accounts should be separate from the cash collection activity
- Perform a month-to-month or year-to-year comparisons to look for unusual changes in collections
- If collecting from a drop box site, consider sending two people to collect the funds, especially during peak times

As always, the cost of controls and staffing must be weighed against the benefits of safeguarding your assets.

• **Information Technology**

As part of the audit, we were required to identify the processes in place that provide a controlled information technology (IT) environment for the applications, supporting systems and infrastructure determined to be critical to the financial statement audit. We noted the following opportunities to strengthen the City's IT controls:

- Access control policy

We are available to discuss the details of this continued recommendation with management.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2022. We noted no transactions entered into by the City during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension asset and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the City or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. An uncorrected misstatement exists in the Wastewater Utility related to chemical inventory resulting in understated assets and overstated expenses in the fund of \$24,750. The schedule within the Appendix summarizes the material corrected misstatements that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the uncorrected misstatements and corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the basic financial statements under audit.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in documents containing audited basic financial statements

The City's audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit report, we have no further obligation to update our report for events occurring subsequent to the date of our report. The City can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance and *State Single Audit Guidelines*.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the City's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the City that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the City's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements, but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Compiled regulatory reports
- CIVIC Systems software
- Preparation of Part II of the Data Collection Form

In addition, we prepared GASB No. 34 conversion entries which are summarized in the “Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position” and the “Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities” in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Resources to those charged with governance

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

Management representation letter

September 6, 2023

Baker Tilly US, LLP
4807 Innovate Ln
PO Box 7398
Madison, Wisconsin 53707

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Watertown as of December 31, 2022 and for the year then ended and for the Watertown Water and Wastewater Utilities as of December 31, 2022 and 2021 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated .
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
- 8) We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. Wastewater utility assets are understated and expenses are overstated by \$24,750 related to chemical inventory. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
- 9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,

- b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
 - 15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
 - 16) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

Other

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 21) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have appropriately disclosed all information for conduit debt obligations in accordance with GASB 91.
- 24) There are no:
 - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

- d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 25) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
- a) Financial statement preparation
 - b) Adjusting journal entries
 - c) Compiled regulatory reports
 - d) Civic Systems software
 - e) Preparation of auditee sections of the data collection form
- None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
- 26) The City of Watertown has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The City of Watertown has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 29) The financial statements include all fiduciary activities required by GASB No. 84.
- 30) The financial statements properly classify all funds and activities.
- 31) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 33) The City of Watertown has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 34) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 40) Tax-exempt bonds issued have retained their tax-exempt status.
- 41) We have appropriately disclosed the City of Watertown's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the supplementary information, (SI):
 - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 45) We agree with the restatement presented in the current year's financial statements.
- 46) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

- 47) We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.
- 48) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 49) We have reviewed existing contracts and determined there are no items requiring accounting or reporting as leases.
- 50) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
- 51) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors’ report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.
- 52) We are responsible for ensuring that all expenditures related to TIF funds are allowable per the most recent project plan.
- 53) We believe that the City’s liability for the other post employment benefits is not material to the financial statements.
- 54) Any direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed.
- 55) With respect to federal and state award programs:
- a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *State Single Audit Guidelines*, including requirements relating to preparation of the schedule of expenditures of federal and state awards (SEFSA).
 - b) We acknowledge our responsibility for preparing and presenting the SEFSA and related disclosures in accordance with the requirements of the Uniform Guidance and the State Single Audit Guidelines, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.

- c) If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditors' report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the *State Single Audit Guidelines* and included in the SEFSA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are administering our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to the programs and related activities.
- h) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement and the State Single Audit Guidelines, relating to federal and state awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

- o) We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- q) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- s) We have charged costs to federal and state awards in accordance with applicable cost principles.
- t) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- u) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- w) We are responsible for preparing and implementing a corrective action plan for each audit finding.
- x) We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organization relating to noncompliance at the service organizations.

Sincerely,

City of Watertown

Signed: _____

Signed: _____

Signed: _____

Client service team



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Accounting changes relevant to the City of Watertown

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
99	Omnibus 2022	✓	12/31/23
100	Accounting Changes and Error Corrections	✓	12/31/24
101	Compensated Absences	✓	12/31/24

Further information on upcoming [GASB pronouncements](#).

Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

The City should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The City will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The City should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Material corrected misstatements

Description	Opinion units	Amount
Adjust RDA reimbursement	General Capital Projects Fund	\$ 743,000
Apply prior year payment in lieu of taxes	General Fund and Water	\$ 976,849
Record current year payment in lieu of taxes	General Fund and Water	\$ 825,249
Adjust ARPA grant revenue	Nonmajor Governmental Funds	\$ 642,252
Adjust assigned fund balance	General Fund	\$ 664,414
Record unavailable revenue	General Capital Projects Fund	\$ 514,385
Record water capital additions	Water	\$1,544,604
Record wastewater capital additions	Wastewater	\$ 860,957
Record water depreciation expense	Water	\$1,355,913
Record wastewater depreciation expense	Wastewater	\$1,698,216
Record stormwater capital additions	Stormwater	\$ 285,166
Record stormwater depreciation expense.	Stormwater	\$ 568,718
Record net pension liability, deferred outflows/inflows of resources, and pension expense for GASB 68	Wastewater	\$ 293,175

The remaining misstatements that were identified and corrected by management were not material individually or in the aggregate to the financial statements taken as a whole.

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines*, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance, and the *State Single Audit Guidelines*, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

- e. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, which we also audit.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the City will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December, and sometimes early in January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

City of Watertown

Financial Statements and
Supplementary Information

December 31, 2022

City of Watertown

Table of Contents
December 31, 2022

	<u>Page</u>
Independent Auditors' Report	i
Required Supplementary Information	
Management's Discussion and Analysis	iv
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Position – Enterprise Funds	9
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds	11
Statement of Cash Flows – Enterprise Funds	12
Statement of Fiduciary Net Position – Custodial Fund	14
Statement of Changes in Fiduciary Net Position – Custodial Fund	15
Index to Notes to the Financial Statements	16
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	52
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System	57
Schedule of Employer Contributions – Wisconsin Retirement System	57
Notes to Required Supplementary Information	58
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	62

Independent Auditors' Report

To the City Council of
City of Watertown

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Madison, Wisconsin
August 30, 2023

CITY OF WATERTOWN**UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As of and For the Year Ended December 31, 2022

Our discussion and analysis of the City of Watertown's (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended on December 31, 2022. Please read it in conjunction with the City's financial statements following this section:

FINANCIAL HIGHLIGHTS

- ◆ The City's total net position at the end of 2022 totaled \$166.0 million which is an increase of \$6.4 million or 4.0% from 2021. Of the \$166.0 million in total net position, \$68.0 million was related to governmental activities and \$98.0 million was related to business-type activities.
- ◆ During the year, the City's governmental activities expenses were \$2.2 million less than the \$29.6 million generated in taxes and other revenues for the governmental programs. This is compared to 2021 when revenues exceeded expenses by \$3.8 million.
- ◆ In the City's business-type activities, revenues and capital grants contributions increased from \$13.9 million to \$16.3 million and expenses increased from \$9.2 million to \$12.1 million.
- ◆ The total cost of the City's governmental activities programs increased by \$2.8 million or 11.4% to \$27.4 million.
- ◆ The combined fund balance of the governmental funds decreased to \$18.1 million, a decrease of \$0.9 million from the prior year.
- ◆ Capital assets for the City decreased \$1.6 million from \$169.6 million in 2021. Governmental activities saw a decrease of \$0.6 million and the business-type activities decreased \$1.1 million.
- ◆ General obligation debt for governmental activities decreased from \$34.4 million to \$32.1 million. The City issued \$2.7 million in general obligation promissory notes. Revenue debt of business-type activities decreased from \$12.9 million to \$9.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts:

- ◆ *Management's discussion and analysis – required supplementary information*
- ◆ *Basic financial statements*
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- ◆ *Required Supplementary information*
- ◆ *Combining statements for non-major governmental funds*

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

The basic financial statements include two kinds of statements that present different views of the City:

- ◆ The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of City government and report the City's operations in more detail than the government-wide statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.
- ◆ The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds. The non-major funds are added together and presented in a single column in the basic financial statements.

Government-wide Statements

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all governmental assets and liabilities. All of the current year's revenues and expenses are accounted for in the statements of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets, deferred outflows of resources and liabilities and deferred inflows of revenues– is one way to measure the City's financial health, or position.

- ◆ Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ◆ To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base, economy, and rate of growth.

The government-wide financial statements of the City are divided into three categories:

- ◆ *Governmental activities* – Most of the City's basic services are included here, such as police, fire, public works, parks and recreation, library, and general administration. Property taxes and state aid finance most of these activities.
- ◆ *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, sewer and storm water utilities are included here.
- ◆ *Component Units* – the City includes the Watertown Redevelopment Authority in its report. Although legally separate, this "component unit" is important because the City is financially accountable for them. Separately issued financial statements are prepared for the Watertown Redevelopment Authority.

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of funds:

- ◆ *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on subsequent pages, that explains the relationship (or differences) between them.
- ◆ *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. These services include water, sewer, and storm water utilities. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information about activities the City operates like a business.
- ◆ *Fiduciary funds* – The City is the trustee, or fiduciary, for collection of all property taxes within the City for all taxing districts, including the Watertown Unified School District, Jefferson and Dodge Counties, and Madison Area Technical College. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. The City's combined net position was \$166 million. The majority of the net position, \$98 million, belongs to the business-type activities of the City. The business-type activities of the City consist of the water, sewer, and storm water utilities. The governmental activities had net position totaling \$68 million.

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Table A-1
City of Watertown's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Current and other assets	\$ 46.2	\$ 46.9	\$ 19.5	\$ 21.7	\$ 65.7	\$ 68.6	4.4%
Capital Assets	80.2	79.6	89.4	88.3	169.6	167.9	(1.0)%
Total assets	126.4	126.5	108.9	110.0	235.3	236.5	0.5%
Pension related amounts	8.3	12.8	0.9	1.5	9.2	14.3	55.4%
Unamortized loss on advance refunding	-	-	0.1	0.0	0.1	0.0	(100.0)%
Total deferred outflows of resources	8.3	12.8	1.0	1.5	9.3	14.3	53.8%
Long-term debt outstanding	31.1	28.6	10.4	9.6	41.5	38.2	(8.0)%
Other liabilities	11.2	10.3	3.7	2.2	14.9	12.5	(16.1)%
Total liabilities	42.3	38.9	14.1	11.8	56.4	50.7	(10.1)%
Pension Related amounts	11.0	15.5	1.2	1.7	12.2	17.2	41%
Unearned revenues	16.4	16.9	-	-	16.4	16.9	3.0%
Total deferred inflows of resources	27.4	32.4	1.2	1.7	28.6	34.1	19.2%
Net Position							
Net investment in capital assets	50.6	50.6	76.4	78.7	126.0	129.3	1.8%
Restricted	12.2	13.1	6.3	5.2	18.5	18.3	-1.1%
Unrestricted	2.2	4.3	11.9	14.1	15.1	18.4	30.5%
Total net position-end of year	\$ 65.0	\$ 68.0	\$ 94.6	\$ 98.0	\$ 159.6	\$ 166.0	4.0%

Net position of the City's governmental activities increased \$3 million during 2022 bringing the total to \$68 million. The majority of net position was either restricted to the purposes it can be used or is invested in capital assets (buildings, roads, equipment). The governmental activities had a \$4.3 million surplus at year-end, up from \$2.2 million in 2021.

The net position of the City's business-type activities increased \$3.4 million. The unrestricted position increased by \$2.2 million from \$11.9 to \$14.1 million. The Wastewater utility and Water utility net positions increased by about \$1.4 million each with stormwater utility increasing \$0.6 million.

Changes in net position. The City's 2022 total revenues increased by \$3.6 million bringing the total to \$42.3 million. Largest increase was in operating grants and contributions for business-type activities related to a \$2.4 million lead service lateral grant. Total expenses increased by \$5.7 million to \$39.5 million. Governmental activities saw an increase of \$2.8 million in expenses while the business-type activities saw an increase of \$2.9 million. Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)Table A-2
Change in City of Watertown's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021-2022</u>
Revenues							
Program revenues							
Charges for Services	\$ 4.9	\$ 4.9	\$13.7	\$13.6	\$ 18.6	\$ 18.5	(0.5)%
Capital grants and contributions	0.9	0.2	0.2	0.2	1.1	0.4	(63.6)%
Operating grants and contributions	2.9	3.7	-	2.4	2.9	6.1	110.3%
General revenues							
Property taxes	15.9	16.4	-	-	15.9	16.4	3.1%
Other taxes	0.3	0.3	-	-	0.3	0.3	0.0%
Intergovernmental	3.2	3.9	-	-	3.2	3.9	21.9%
Investment income	0.0	0.1	0.0	0.1	0.0	0.2	100.0%
Gain(loss) on sale of assets	0.1	0.0	-	-	0.1	0.0	(100.0)%
Others	<u>0.2</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>0.1</u>	(50.0)%
Total revenues	28.4	29.6	13.9	16.3	42.3	45.9	8.5%
Expenses							
General government	2.4	2.7	-	-	2.4	2.7	12.5%
Public safety	8.1	8.4	-	-	8.1	8.4	3.7%
Public works	8.3	8.2	-	-	8.3	8.2	(1.2)%
Health and human services	0.8	0.8	-	-	0.8	0.8	0.0%
Culture, education and recreation	3.4	3.8	-	-	3.4	3.8	11.8%
Conservation and development	0.6	2.7	-	-	0.6	2.7	350.0%
Interest and fiscal charges	1.0	0.8	-	-	1.0	0.8	(20.0)%
Water	-	-	3.8	6.1	3.8	6.1	60.5%
Wastewater	-	-	3.9	4.2	3.9	4.2	7.7%
Storm water	<u>-</u>	<u>-</u>	<u>1.5</u>	<u>1.8</u>	<u>1.5</u>	<u>1.8</u>	20.0%
Total expenses	24.6	27.4	9.2	12.1	33.8	39.5	16.9%
Excess (Deficiency) before transfers	3.8	2.2	4.7	4.2	8.5	6.4	(24.7)%
Transfers	<u>1.0</u>	<u>0.8</u>	<u>(1.0)</u>	<u>(0.8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	4.8	3.0	3.7	3.4	8.5	6.4	
BEGINNING NET POSITION	<u>\$60.2</u>	<u>\$65.0</u>	<u>90.9</u>	<u>94.6</u>	<u>\$ 151.1</u>	<u>\$ 159.6</u>	
ENDING NET POSITION	<u>\$65.0</u>	<u>\$68.0</u>	<u>\$ 94.6</u>	<u>\$ 98.0</u>	<u>\$ 159.6</u>	<u>\$ 166.0</u>	<u>(24.7)%</u>

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Governmental Activities. Revenues for the City's governmental activities increased \$1.2 million totaling \$29.6 million. Property taxes account for over half of the total, followed by charges for services, operating grants and contributions and intergovernmental revenues. Shared revenue from the State of Wisconsin makes up most of the intergovernmental revenues. EMS charges, building permits, court fines, cable TV, and recreation fees are included in charges for services. Property taxes increased by \$0.5 million or 3.1% in 2022.

Governmental activities expenses increased by \$2.8 million or 11% to \$27.4 million. Conservation and development expenditure increased by \$2.1 million mainly because of construction of Town Square which was contributed to the Redevelopment Authority of the City of Watertown. Culture and recreation expenditures increased because of activities getting back to normal. Other general government and public safety expenditure categories increased by about \$0.3 million each. Public safety expense includes police, fire, and building, safety and zoning. Culture, education and recreation include the library and park and recreation departments and the tourism fund. Revenues exceeded expenses by \$2.2 million prior to transfers of \$0.8 million.

Table A-3 presents the total cost of each of the City's governmental activities as well as each activity's net cost. Activity's net cost is total cost minus fees generated by the activities and direct intergovernmental aid. The net cost shows the financial burden placed on the City's taxpayers or indirect revenue sources by each of these activities.

- ◆ The cost of all *governmental* activities during 2022 was \$27.4 million.
- ◆ The net cost for these activities was \$18.7 million with \$16.4 million coming from property taxes and the remainder from unrestricted shared revenue and from other revenues like interest.
- ◆ The balance of the costs of the *governmental* activities was paid for by:
 - Those who directly benefited from the programs by paying for services or
 - Other governments and organizations that subsidized certain programs with grants and contributions.

Table A-3
Net Cost of City of Watertown Governmental Activities
(in millions of dollars)

	Total Cost Of Services		Percentage Change	Net Cost Of Services		Percentage Change
	<u>2021</u>	<u>2022</u>	<u>2021-2022</u>	<u>2021</u>	<u>2022</u>	<u>2021-2022</u>
General government	\$ 2.4	\$ 2.7	12.5%	\$ 1.9	\$ 2.3	21.1%
Public safety	8.1	8.4	3.7%	6.4	6.7	4.7%
Public works	8.3	8.2	(1.2)%	4.1	4.7	14.6%
Health and human services	0.8	0.8	0.0%	0.1	0.0	(100.0)%
Culture, education and recreation	3.4	3.8	11.8%	1.9	2.6	36.8%
Conservation and development	0.6	2.7	350.0%	0.6	1.6	166.7%
Other	1.0	0.8	(20.0)%	1.0	0.8	(20.0)%
Total	<u>\$ 24.6</u>	<u>\$ 27.4</u>	11.4%	<u>\$16.0</u>	<u>\$18.7</u>	16.9%

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Business-type Activities. Revenues of the City's business-type activities increased by \$2.4 million to \$16.3 million. Expenses also increased by 2.9 million from 2021-2022. (Refer to Table A-4).

Table A-4 presents the Net Position activity in each of the City's business-type activities.

Table A-4
Change in Business Type Activities
(in millions of dollars)

	Water Utility		Wastewater Utility		Storm Water Utility		Total		Total Percentage Change 2021-2022
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Revenues									
Program revenues									
Capital grants and contributions	0.1	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.00%
Operating grants and contributions	0.0	2.4	0.0	0.0	0.0	0.0	0.0	2.4	100%
Charges for services	5.6	5.8	5.7	5.5	2.4	2.3	13.7	13.6	0.73%
General revenues									
Investment Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	100%
Total Revenue	<u>5.7</u>	<u>8.3</u>	<u>5.8</u>	<u>5.6</u>	<u>2.4</u>	<u>2.4</u>	<u>13.9</u>	<u>16.3</u>	17.27%
Expenses	3.8	6.1	3.9	4.2	1.5	1.8	9.2	12.1	31.5%
Excess (deficiency) before transfers	1.9	2.2	1.9	1.4	0.9	0.6	4.7	4.2	(10.6)%
Transfers	<u>(1.0)</u>	<u>(0.8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.0)</u>	<u>(0.8)</u>	(20.0)%
CHANGE IN NET POSITION	0.9	1.4	1.9	1.4	0.9	0.6	3.7	3.4	(8.1)%
BEGINNING NET POSITION	<u>30.9</u>	<u>31.8</u>	<u>44.1</u>	<u>46.0</u>	<u>15.9</u>	<u>16.8</u>	<u>90.9</u>	<u>94.6</u>	
ENDING NET POSITION	<u>31.8</u>	<u>33.2</u>	<u>46.0</u>	<u>47.4</u>	<u>16.8</u>	<u>17.4</u>	<u>94.6</u>	<u>98.0</u>	3.6%

Net position of business-type activities increased \$3.4 million from the 2022 amount. The Wastewater Utility and Water Utility increased by \$1.4 million each and Storm Water Utility increased by \$0.6 million. Total revenues increased from \$13.9 million to \$16.3 million or 17%. Charges for services increased for water decreased for wastewater and stormwater.

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS**Governmental Funds**

The focus of the City of Watertown's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds reported a combined fund balance of \$18.1 million, a decrease of \$0.9 million from the previous year. Of the combined governmental fund balance, \$0.3 million is nonspendable and \$12.2 million is restricted, committed or assigned. This leaves \$5.6 million that is unassigned.

Table A-5
City of Watertown Governmental Fund Balance

	2021	2022
Non-spendable:		
General Fund	\$ 262,577	\$ 276,460
Other Funds	30,774	33,599
Restricted:		
EMT/Act 102	536	5,542
Debt Fund	171,509	86,600
Capital projects	1,924,831	845,413
Other Funds	6,941,403	6,421,801
Committed:		
Capital project funds	828,701	1,511,631
Other Funds	1,506,721	1,457,325
Assigned:		
General Fund	1,480,755	1,866,244
Unassigned		
General Fund	5,985,512	5,606,489
Other Funds	<u>(52,319)</u>	<u>(24,383)</u>
Total Fund Balance	<u>\$19,081,000</u>	<u>\$18,086,721</u>

General Fund

The general fund total fund balance was \$7.7 million, which represents 43% of total governmental fund balances amount as of December 31, 2022. Of that amount, \$2.1 million is non-spendable, restricted or assigned. This leaves \$5.6 million or 72.7% unassigned, meaning it is available for appropriation. This amount represents 30.5% of the original general fund adopted budget expenses for the year 2022. In December of 2014, the Common Council adopted a policy stating that the undesignated fund balance should be between twenty (20%) and thirty percent (30%) of the annual adopted budget expenses, with a goal of twenty-five percent (25%). The City's current unassigned general fund balance exceeds the goal the Common Council has set.

Debt Service Fund

The City's debt service fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. The entire fund balance of \$86,600 is restricted for future debt service.

CITY OF WATERTOWN**UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As of and For the Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (cont.)

Capital Projects Funds

The City's capital projects fund accounts for the funds accumulated for the purpose of obtaining capital assets or for capital projects and other expenditures that are unique and are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The total fund balance as of December 31, 2022, is \$2,357,044, \$845,413 of which is restricted unspent proceeds and remaining \$1,511,631 is committed for the completion of projects that were not fully complete by year end.

Other Non-Major Governmental Funds

The fund balance of all other governmental funds is \$7,888,342 of which \$6.4 million is restricted with the remainder being either committed or non-spendable. TIF #4 at \$3.1 million is the largest share of the non-major governmental funds followed by the TIF #5 at \$1.1 million.

Proprietary Funds

The City of Watertown's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds are addressed in the discussion of the city's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgets are adopted at the department level of expenditures. Over the course of the year, the Common Council revised the City Budget several times to transfer amounts between accounts.

The 2022 final budget had anticipated using \$204,872 of fund balance to balance the budget including carryovers from the previous year. Instead, final budget to actual numbers for 2022 show a general fund balance increase of \$25,355.

Total revenues overall were lower than budgeted by \$154,592. Intergovernmental revenues were more than anticipated due to funding received related to the COVID-19 pandemic. Many other revenue sources were also more than budgeted as things slowly starting to get back to pre-pandemic including EMS revenue, court fines, recreation fees and aquatic center revenue. Total expenditures were \$501,690 less than the final budget. Factors included lower than budgeted expenses for contingencies as well as salary and benefit savings during turnover of open positions in various departments.

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At the end of 2022, the City had invested \$167.9 million in capital assets as presented in Table A-6. The largest investment was infrastructure, including roads, bridges, airport, and sidewalks, which totaled \$45.8 million net of depreciation.

Table A-6
City of Watertown Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change Dollar %	
	2021	2022	2021	2022	2021	2022	2020-2021	2021-2022
Buildings & improvements	10.1	17.7	-	-	10.1	17.7	(1.0)%	75.2%
Equipment	6.9	7.2	-	-	6.9	7.2	(5.5)%	4.3%
Infrastructure	46.9	45.7	-	-	46.9	45.7	(1.7)%	(2.6)%
Land	8.6	8.8	3.7	3.9	12.3	12.7	4.2%	3.3%
Construction in progress	7.7	0.2	0.4	1.2	8.1	1.4	237.5%	(82.7)%
Water System	-	-	36.7	36.2	36.7	36.2	(1.3)%	(1.4)%
Wastewater System	-	-	35.7	34.6	35.7	34.6	(2.7)%	(3.1)%
Storm Water System	-	-	12.9	12.4	12.9	12.4	(0.8)%	(3.9)%
Total	80.2	79.6	89.4	88.3	169.6	167.9	(2.0)%	(1.0)%

The City spent about \$1 million in infrastructure additions and another \$1 million in various machinery/equipment purchases. Anticipated 2023 capital spending includes continued street rehabilitation work, vehicle and equipment replacements, facilities repairs, and a park restroom building. More detailed information can be found in Note 4. to Financial Statements.

CITY OF WATERTOWN

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)**Long-Term Debt**

At year-end the City had \$32.1 million in general obligation bonds and notes outstanding, a decrease of \$2.3 million or 7.5% from the prior year as shown in Table A-7. \$2.7 million was borrowed primarily for street reconstruction and other various equipment purchases. \$5.4 million was paid off during 2022.

Revenue bonds decreased \$3 million to \$9.9 million at year end; a decrease of 23.26% from 2021. More detailed information can be found in Note 4. to Financial Statements.

Table A-7
City of Watertown Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change	
	2021	2022	2021	2022	2021	2022	2020-2021	2021-2022
General obligation debt (backed by the City)	34.4	32.1	0.4	0.1	34.8	32.2	(5.4)%	(7.5)%
Revenue bonds and notes (backed by specific revenues)	-	-	12.9	9.9	12.9	9.9	(18.35)%	(23.26)%
Total	34.4	32.1	13.3	10.0	47.7	42.1	(9.3)%	(11.7)%

The City has the power to incur indebtedness for City purposes specified by statute in an aggregate amount, not to exceed 5% of the equalized value of taxable property in the City. On January 1, 2022, the City's total equalized value was \$1.958 billion giving the City a legal debt capacity of \$97.9 million. At December 31, 2022, the City is currently at 32% of capacity leaving additional borrowing capacity of \$65.7 million.

Moody's Investors Service, Inc. has assigned a rating of Aa3 to the City of Watertown's general obligation bonds and notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is strategically located just north of Interstate 94 between Milwaukee and Madison. The City's tax base, currently at \$1.958 billion, increased \$287 million (17.19%) over the prior year.

CITY OF WATERTOWN**UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As of and For the Year Ended December 31, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (cont.)

The 2023 general fund operating budget expenditures are \$19,357,439, an increase of \$986,122 over the 2022 original budget. This 5.37% change was under the 3.3% maximum allowable increase to qualify for a 2024 expenditure restraint program payment. The budget anticipates using \$781,801 of fund balance. The 2023 debt fund budgeted expenditures are \$4.85 million, similar to the prior year.

TID #8 was created covering a downtown area with a substantial overlay of TID #5. Numerous buildings are undergoing façade and structural improvements. No debt was incurred, and one PayGo developer grant has been entered for a multi-unit housing facility projected to begin construction in late 2023. The Watertown Redevelopment Authority (reported as a component unit of the City of Watertown) designed the town square park located at the 100 block of West Main Street which is intended to be dedicated to the City of Watertown in 2023.

Sewer and storm water rates are adjusted and approved by the Public Works Commission. Storm water rates increased on August 1, 2020, a result of a storm water study performed in 2019. Sewer rates have been unchanged since January, 2017 and water rates have been unchanged since April, 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and 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 information, please contact the City Finance Director/Treasurer's Office, 106 Jones Street, Watertown, WI 53094.

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 20,094,855	\$ 14,167,805	\$ 34,262,660	\$ 1,371,550
Taxes receivable	17,283,805	-	17,283,805	-
Other receivables, net	1,646,505	2,044,445	3,690,950	360,039
Due from other governments	448,008	-	448,008	-
Due from component units	75,292	-	75,292	-
Prepaid items and inventories	313,178	215,806	528,984	-
Other assets	-	8,825	8,825	-
Internal balances	456,653	(456,653)	-	-
Restricted assets:				
Cash and investments	-	4,991,817	4,991,817	-
Net pension asset	6,563,952	728,860	7,292,812	-
Capital assets:				
Construction in progress	187,328	1,163,471	1,350,799	4,852,555
Land	8,771,439	3,921,177	12,692,616	-
Other capital assets, net of depreciation	70,655,502	83,267,173	153,922,675	-
Total assets	126,496,517	110,052,726	236,549,243	6,584,144
Deferred Outflows of Resources				
Pension related amounts	12,835,526	1,433,866	14,269,392	-
Unamortized loss on advance refunding	-	38,918	38,918	-
Total deferred outflows of resources	12,835,526	1,472,784	14,308,310	-
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable and accrued expenses	2,403,814	1,350,472	3,754,286	4,196
Other liabilities	319,108	-	319,108	-
Due to primary government	-	-	-	75,292
Unearned revenue	1,871,009	-	1,871,009	-
Liabilities payable from restricted assets:				
Current portion of revenue bonds	-	671,318	671,318	-
Accrued interest	-	34,421	34,421	-
Noncurrent liabilities:				
Due within one year	5,801,009	159,809	5,960,818	146,773
Due in more than one year	28,582,641	9,562,763	38,145,404	333,626
Total liabilities	38,977,581	11,778,783	50,756,364	559,887
Deferred Inflows of Resources				
Pension related amounts	15,481,561	1,685,264	17,166,825	-
Unearned revenues	16,852,375	-	16,852,375	-
Total deferred inflows of resources	32,333,936	1,685,264	34,019,200	-
Net Position				
Net investment in capital assets	50,633,655	78,677,573	129,311,228	4,852,555
Restricted for:				
Debt service	5,774	447,522	453,296	-
TID activities	4,262,364	-	4,262,364	-
Grant programs	205,237	-	205,237	-
Loan programs	933,365	-	933,365	-
Developer fees	155,938	-	155,938	-
Trust purposes	18,200	-	18,200	-
Library	918,435	-	918,435	-
Other	25,837	-	25,837	-
Pension	6,563,952	728,860	7,292,812	-
Capital asset replacement	-	3,927,064	3,927,064	-
Depreciation	-	129,731	129,731	-
Unrestricted	4,297,769	14,150,713	18,448,482	1,171,702
Total net position	\$ 68,020,526	\$ 98,061,463	\$ 166,081,989	\$ 6,024,257

See notes to financial statements

City of Watertown

Statement of Activities

Year Ended December 31, 2022

DRAFT 09/07/2023

Section 3, Item A.

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 2,745,760	\$ 354,451	\$ 56,070	\$ -	\$ (2,335,239)	\$ -	\$ (2,335,239)	
Public safety	8,405,644	1,542,705	122,296	-	(6,740,643)	-	(6,740,643)	
Public works	8,242,095	1,917,739	1,577,778	93,790	(4,652,788)	-	(4,652,788)	
Health and human services	772,897	346,972	400,642	-	(25,283)	-	(25,283)	
Culture, education, and recreation	3,776,321	731,125	418,046	60,554	(2,566,596)	-	(2,566,596)	
Conservation and development	2,643,468	972	1,084,232	-	(1,558,264)	-	(1,558,264)	
Interest and fiscal charges	793,097	-	-	-	(793,097)	-	(793,097)	
Total governmental activities	27,379,282	4,893,964	3,659,064	154,344	(18,671,910)	-	(18,671,910)	
Business-Type activities:								
Water	6,053,769	5,649,819	2,445,504	88,000	-	2,129,554	2,129,554	
Wastewater	4,217,061	5,577,912	-	70,133	-	1,430,984	1,430,984	
Stormwater	1,839,629	2,364,574	-	-	-	524,945	524,945	
Total business-type activities	12,110,459	13,592,305	2,445,504	158,133	-	4,085,483	4,085,483	
Total primary government	\$ 39,489,741	\$ 18,486,269	\$ 6,104,568	\$ 312,477	(18,671,910)	4,085,483	(14,586,427)	
Component Unit								
Redevelopment authority	\$ 166,602	\$ 8,248	\$ 195,823	\$ 3,418,636	-	-	-	\$ 3,456,105
General Revenues								
Taxes:								
Property taxes, levied for general purposes					10,050,058	-	10,050,058	-
Property taxes, levied for debt service					4,700,000	-	4,700,000	-
Property taxes, tax increment					1,663,132	-	1,663,132	-
Other taxes					305,518	-	305,518	-
Intergovernmental revenues not restricted to specific programs					3,903,745	-	3,903,745	-
Investment income					67,710	110,934	178,644	8,468
Gain on sale of assets					56,164	-	56,164	-
Miscellaneous					134,898	-	134,898	-
Transfers					743,773	(743,773)	-	-
Total general revenues and transfers					21,624,998	(632,839)	20,992,159	8,468
Change in net position					2,953,088	3,452,644	6,405,732	3,464,573
Net Position, Beginning					65,067,438	94,608,819	159,676,257	2,559,684
Net Position, Ending					\$ 68,020,526	\$ 98,061,463	\$ 166,081,989	\$ 6,024,257

See notes to financial statements

City of Watertown

Section 3, Item A.

Balance Sheet -
Governmental Funds
December 31, 2022

	General	Debt Service	General Capital Projects
Assets			
Cash and investments	\$ 7,466,951	\$ 86,600	\$ 2,930,024
Receivables, net:			
Taxes	10,772,845	4,700,000	-
Delinquent personal property taxes	2,445	-	-
Pledges	-	-	-
Accounts	491,380	-	30,825
Grants	-	-	-
Special assessments	28,766	-	31,246
Loans	-	-	-
Due from other governments	-	-	448,008
Due from component units	-	-	66,377
Due from other funds	843,558	-	-
Advances to other funds	24,383	-	-
Prepaid items	249,632	-	48,147
	<u>\$ 19,879,960</u>	<u>\$ 4,786,600</u>	<u>\$ 3,554,627</u>
Total assets			
	<u>\$ 19,879,960</u>	<u>\$ 4,786,600</u>	<u>\$ 3,554,627</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 212,036	\$ -	\$ 693,543
Accrued liabilities	845,281	-	-
Due to other funds	368,596	-	-
Advances from other funds	-	-	-
Other liabilities	7,412	-	8,343
Unearned revenues	-	-	-
	<u>1,433,325</u>	<u>-</u>	<u>701,886</u>
Total liabilities			
	<u>1,433,325</u>	<u>-</u>	<u>701,886</u>
Deferred Inflows of Resources			
Unearned revenues	10,404,250	4,700,000	-
Unavailable revenues	287,650	-	495,697
	<u>10,691,900</u>	<u>4,700,000</u>	<u>495,697</u>
Total deferred inflows of resources			
	<u>10,691,900</u>	<u>4,700,000</u>	<u>495,697</u>
Fund Balances			
Nonspendable	276,460	-	-
Restricted	5,542	86,600	845,413
Committed	-	-	1,511,631
Assigned	1,866,244	-	-
Unassigned (deficit)	5,606,489	-	-
	<u>7,754,735</u>	<u>86,600</u>	<u>2,357,044</u>
Total fund balances			
	<u>7,754,735</u>	<u>86,600</u>	<u>2,357,044</u>
Total liabilities, deferred Inflows of resources and fund balances	<u>\$ 19,879,960</u>	<u>\$ 4,786,600</u>	<u>\$ 3,554,627</u>

Nonmajor Governmental Funds	Total
\$ 9,611,280	\$ 20,094,855
1,808,515	17,281,360
-	2,445
73,833	73,833
136,142	658,347
132,268	132,268
-	60,012
722,045	722,045
-	448,008
8,915	75,292
-	843,558
-	24,383
15,399	313,178
<u>\$ 12,508,397</u>	<u>\$ 40,729,584</u>
\$ 526,752	\$ 1,432,331
45,376	890,657
18,309	386,905
24,383	24,383
303,353	319,108
<u>1,871,009</u>	<u>1,871,009</u>
<u>2,789,182</u>	<u>4,924,393</u>
1,748,125	16,852,375
<u>82,748</u>	<u>866,095</u>
<u>1,830,873</u>	<u>17,718,470</u>
33,599	310,059
6,421,801	7,359,356
1,457,325	2,968,956
-	1,866,244
<u>(24,383)</u>	<u>5,582,106</u>
<u>7,888,342</u>	<u>18,086,721</u>
<u>\$ 12,508,397</u>	<u>\$ 40,729,584</u>

City of Watertown

Section 3, Item A.

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

Total Fund Balances, Governmental Funds	\$ 18,086,721
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note 4.	79,614,269
Some receivables that are not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note 4.	866,095
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	6,563,952
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	12,835,526
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(15,481,561)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2.	<u>(34,464,476)</u>
Net Position of Governmental Activities	<u>\$ 68,020,526</u>

City of Watertown

Section 3, Item A.

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

	General	Debt Service	General Capital Projects
Revenues			
Taxes	\$ 10,280,718	\$ 4,700,000	\$ -
Intergovernmental	4,646,089	-	609,147
Licenses and permits	446,494	-	-
Public charges for services	1,517,192	-	17,828
Intergovernmental charges for service	287,287	-	-
Investment income (loss)	(151,064)	-	69,715
Miscellaneous	147,153	-	10,950
Total revenues	<u>17,173,869</u>	<u>4,700,000</u>	<u>707,640</u>
Expenditures			
Current:			
General government	2,541,060	-	-
Public safety	8,863,708	-	-
Public works	2,852,930	-	-
Health and human services	539,906	-	-
Culture, education, and recreation	2,583,034	-	-
Conservation and development	208,958	-	-
Public service enterprises	78,000	-	-
Capital outlay	294,902	-	3,852,153
Debt service:			
Principal	-	4,065,000	-
Interest, issuance costs and fiscal charges	-	866,624	-
Total expenditures	<u>17,962,498</u>	<u>4,931,624</u>	<u>3,852,153</u>
Excess (deficiency) of revenues over expenditures	<u>(788,629)</u>	<u>(231,624)</u>	<u>(3,144,513)</u>
Other Financing Sources (Uses)			
Debt issued	-	-	2,740,000
Premium on debt issued	-	146,715	-
Sale of assets	48,139	-	8,025
Transfer in, tax equivalent	825,845	-	-
Transfers in	-	-	-
Transfers out	(60,000)	-	-
Total other financing sources (uses)	<u>813,984</u>	<u>146,715</u>	<u>2,748,025</u>
Net change in fund balances	25,355	(84,909)	(396,488)
Fund Balances, Beginning	<u>7,729,380</u>	<u>171,509</u>	<u>2,753,532</u>
Fund Balances, Ending	<u>\$ 7,754,735</u>	<u>\$ 86,600</u>	<u>\$ 2,357,044</u>

Nonmajor Governmental Funds	Total
\$ 1,769,285	\$ 16,750,003
1,866,286	7,121,522
13,218	459,712
2,220,165	3,755,185
-	287,287
117,764	36,415
597,874	755,977
<u>6,584,592</u>	<u>29,166,101</u>
-	2,541,060
-	8,863,708
2,129,861	4,982,791
563,959	1,103,865
869,269	3,452,303
335,482	544,440
-	78,000
2,103,072	6,250,127
1,055,000	5,120,000
130,099	996,723
<u>7,186,742</u>	<u>33,933,017</u>
<u>(602,150)</u>	<u>(4,766,916)</u>
-	2,740,000
-	146,715
3,913	60,077
-	825,845
60,000	60,000
-	(60,000)
<u>63,913</u>	<u>3,772,637</u>
(538,237)	(994,279)
<u>8,426,579</u>	<u>19,081,000</u>
<u>\$ 7,888,342</u>	<u>\$ 18,086,721</u>

City of Watertown

Section 3, Item A.

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

Net Change in Fund Balances, Total Governmental Funds \$ (994,279)

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

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	6,250,127
Some items reported as capital outlay are not capitalized	(2,957,242)
Depreciation is reported in the government-wide statements	(3,877,922)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	362,419
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Debt issued provides current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net
position. Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of
net position.

Debt issued	(2,740,000)
Principal repaid	5,120,000

Governmental funds report debt premiums as other financing sources; however, in the statement
of net position, these are reported as additions to long-term debt. These are allocated over the
period the debt is outstanding in the statement activities and are reported as interest expense.

Debt premium	(146,715)
Amortization of premium	195,957

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

Net pension asset/liability	1,563,488
Deferred outflows of resources related to pensions	4,519,439
Deferred inflows of resources related to pensions	(4,506,184)
Compensated absences	156,331
Accrued interest on debt	7,669

Change in Net Position of Governmental Activities \$ 2,953,088

City of Watertown

Section 3, Item A.

Statement of Net Position -
Enterprise Funds
December 31, 2022

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and investments	\$ 5,280,841	\$ 5,147,039	\$ 3,739,925	\$ 14,167,805
Restricted assets:				
Redemption account	481,943	-	-	481,943
Accounts receivable	1,365,205	462,380	214,887	2,042,472
Due from other funds	167,915	196,632	49,242	413,789
Inventories	146,454	-	-	146,454
Prepaid items	28,749	32,198	8,405	69,352
	<u>7,471,107</u>	<u>5,838,249</u>	<u>4,012,459</u>	<u>17,321,815</u>
Total current assets				
Noncurrent Assets				
Restricted assets:				
Cash and investments	582,810	3,927,064	-	4,509,874
Net pension asset	254,852	301,440	172,568	728,860
Capital assets:				
Land	209,924	3,046,952	664,301	3,921,177
Construction in progress	515,590	156,255	491,626	1,163,471
Property and equipment	55,052,817	61,657,762	21,479,413	138,189,992
Less accumulated depreciation	(18,749,358)	(27,048,124)	(9,125,337)	(54,922,819)
Other assets:				
Nonutility property	750	-	-	750
Preliminary survey and investigation	-	8,075	-	8,075
Special assessments	-	1,973	-	1,973
	<u>37,867,385</u>	<u>42,051,397</u>	<u>13,682,571</u>	<u>93,601,353</u>
Total noncurrent assets				
Total assets	<u>45,338,492</u>	<u>47,889,646</u>	<u>17,695,030</u>	<u>110,923,168</u>
Deferred Outflows of Resources				
Unamortized loss on advance refunding	38,918	-	-	38,918
Pension related amounts	<u>567,920</u>	<u>570,443</u>	<u>295,503</u>	<u>1,433,866</u>
	<u>606,838</u>	<u>570,443</u>	<u>295,503</u>	<u>1,472,784</u>
Total deferred outflows of resources				

See notes to financial statements.

City of Watertown

Section 3, Item A.

Statement of Net Position -
Enterprise Funds
December 31, 2022

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>
Liabilities, Deferred Liabilities Inflows of Resources and Net Position				
Current Liabilities				
Accounts payable	\$ 931,197	\$ 179,387	\$ 134,733	\$ 1,245,317
Current portion of compensated absences	5,829	8,980	-	14,809
Accrued wages	40,862	40,080	23,889	104,831
Accrued interest	-	11	313	324
Due to other funds	870,442	-	-	870,442
Current portion of general obligation debt	10,000	10,000	125,000	145,000
Liabilities payable from restricted assets:				
Current portion of revenue bonds	671,318	-	-	671,318
Accrued interest	34,421	-	-	34,421
	<u>2,564,069</u>	<u>238,458</u>	<u>283,935</u>	<u>3,086,462</u>
Total current liabilities				
Noncurrent Liabilities				
Long-term debt:				
Revenue bonds	9,229,579	-	-	9,229,579
Unamortized debt premium	140,348	-	-	140,348
Other liabilities:				
Compensated absences	120,928	71,908	-	192,836
	<u>9,490,855</u>	<u>71,908</u>	<u>-</u>	<u>9,562,763</u>
Total noncurrent liabilities				
Total liabilities	<u>12,054,924</u>	<u>310,366</u>	<u>283,935</u>	<u>12,649,225</u>
Deferred Inflows of Resources				
Pension related amounts	<u>634,245</u>	<u>695,504</u>	<u>355,515</u>	<u>1,685,264</u>
Net Position				
Net investment in capital assets	27,479,725	37,812,845	13,385,003	78,677,573
Restricted for debt service	447,522	-	-	447,522
Restricted for capital asset replacement	-	3,927,064	-	3,927,064
Restricted for depreciation	129,731	-	-	129,731
Restricted for pension	254,852	301,440	172,568	728,860
Unrestricted	<u>4,944,331</u>	<u>5,412,870</u>	<u>3,793,512</u>	<u>14,150,713</u>
Total net position	<u>\$ 33,256,161</u>	<u>\$ 47,454,219</u>	<u>\$ 17,351,083</u>	<u>\$ 98,061,463</u>

See notes to financial statements.

City of Watertown

Section 3, Item A.

Statement of Revenues, Expenses and Changes in Net Position -

Enterprise Funds

Year Ended December 31, 2022

	Water Utility	Wastewater Utility	Stormwater Utility	Total
Operating Revenues				
Charges for services	\$ 5,649,819	\$ 5,577,912	\$ 2,364,574	\$ 13,592,305
Total operating revenues	<u>5,649,819</u>	<u>5,577,912</u>	<u>2,364,574</u>	<u>13,592,305</u>
Operating Expenses				
Operation and maintenance	2,104,648	2,501,130	1,268,160	5,873,938
Depreciation	<u>1,297,666</u>	<u>1,698,216</u>	<u>568,718</u>	<u>3,564,600</u>
Total operating expenses	<u>3,402,314</u>	<u>4,199,346</u>	<u>1,836,878</u>	<u>9,438,538</u>
Operating income	<u>2,247,505</u>	<u>1,378,566</u>	<u>527,696</u>	<u>4,153,767</u>
Nonoperating Revenues (Expenses)				
Investment income	28,991	28,472	53,471	110,934
Grant revenue	2,445,504	-	-	2,445,504
Amortization of premium	13,053	-	-	13,053
Loss on retirement of assets	(1,364)	-	-	(1,364)
Grant expense	(2,445,504)	-	-	(2,445,504)
Interest expense	<u>(217,640)</u>	<u>(17,715)</u>	<u>(2,751)</u>	<u>(238,106)</u>
Total nonoperating revenues (expenses)	<u>(176,960)</u>	<u>10,757</u>	<u>50,720</u>	<u>(115,483)</u>
Income before contributions and transfers	2,070,545	1,389,323	578,416	4,038,284
Capital Contributions	88,000	70,133	-	158,133
Capital Contributions, City	82,072	-	-	82,072
Transfers, Tax Equivalent	<u>(825,845)</u>	<u>-</u>	<u>-</u>	<u>(825,845)</u>
Change in net position	1,414,772	1,459,456	578,416	3,452,644
Net Position, Beginning	<u>31,841,389</u>	<u>45,994,763</u>	<u>16,772,667</u>	<u>94,608,819</u>
Net Position, Ending	<u>\$ 33,256,161</u>	<u>\$ 47,454,219</u>	<u>\$ 17,351,083</u>	<u>\$ 98,061,463</u>

City of Watertown

Section 3, Item A.

Statement of Cash Flows -

Enterprise Funds

Year Ended December 31, 2022

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>
Cash Flows From Operating Activities				
Received from customers	\$ 5,638,398	\$ 5,553,461	\$ 2,338,100	\$ 13,529,959
Paid to suppliers for goods and services	(1,580,089)	(1,953,930)	(609,112)	(4,143,131)
Paid to employees for services	(640,359)	(652,182)	(583,548)	(1,876,089)
Net cash flows from operating activities	<u>3,417,950</u>	<u>2,947,349</u>	<u>1,145,440</u>	<u>7,510,739</u>
Cash Flows From Noncapital Financing Activities				
Paid to city for tax equivalent	(977,445)	-	-	(977,445)
Debt retired	(10,000)	(10,000)	-	(20,000)
Interest paid	(395)	(384)	-	(779)
Net cash flows from noncapital financing activities	<u>(987,840)</u>	<u>(10,384)</u>	<u>-</u>	<u>(998,224)</u>
Cash Flows From Capital and Related Financing Activities				
Debt retired	(1,112,483)	(1,890,720)	(260,000)	(3,263,203)
Interest paid	(222,704)	(26,008)	(7,725)	(256,437)
Acquisition and construction of capital assets	(508,206)	(761,358)	(285,166)	(1,554,730)
Grant expense	(2,445,504)	-	-	(2,445,504)
Grant receipts	1,611,111	-	-	1,611,111
Capital contributions received	88,000	70,133	-	158,133
Net cash flows from capital and related financing activities	<u>(2,589,786)</u>	<u>(2,607,953)</u>	<u>(552,891)</u>	<u>(5,750,630)</u>
Cash Flows From Investing Activities				
Investments sold and matured	927,380	562,279	-	1,489,659
Investment income	28,991	28,472	53,471	110,934
Net cash flows from investing activities	<u>956,371</u>	<u>590,751</u>	<u>53,471</u>	<u>1,600,593</u>
Net increase in cash and cash equivalents	796,695	919,763	646,020	2,362,478
Cash and Cash Equivalents, Beginning	<u>5,041,965</u>	<u>7,541,236</u>	<u>3,093,905</u>	<u>15,677,106</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,838,660</u>	<u>\$ 8,460,999</u>	<u>\$ 3,739,925</u>	<u>\$ 18,039,584</u>

City of Watertown

Section 3, Item A.

Statement of Cash Flows -

Enterprise Funds

Year Ended December 31, 2022

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities				
Operating income	\$ 2,247,505	\$ 1,378,566	\$ 527,696	\$ 4,153,767
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation expense	1,297,666	1,698,216	568,718	3,564,600
Depreciation charged to other funds	58,247	-	-	58,247
Changes in assets, deferred outflows, liabilities and deferred outflows:				
Accounts receivable	(41,010)	(29,276)	(25,703)	(95,989)
Due from other funds	(28,658)	5,375	(771)	(24,054)
Inventories	(39,946)	-	-	(39,946)
Prepaid items	(2,352)	174	10,880	8,702
Due to other funds	(3,790)	-	-	(3,790)
Accounts payable	(33,882)	(5,368)	82,720	43,470
Compensated absences	8,056	8,692	-	16,748
Other current liabilities	-	(8,414)	7,123	(1,291)
Pension related deferrals and liabilities/asset	(43,886)	(100,616)	(25,223)	(169,725)
Net cash flows from operating activities	<u>\$ 3,417,950</u>	<u>\$ 2,947,349</u>	<u>\$ 1,145,440</u>	<u>\$ 7,510,739</u>
Noncash Investing, Capital and Related Financing Activities				
City financed additions to utility plant	<u>\$ 82,072</u>	<u>\$ -</u>	<u>\$ -</u>	
Amortization of premium and loss on refunding	<u>\$ (13,053)</u>	<u>\$ -</u>	<u>\$ 4,313</u>	
Reconciliation of Cash and Cash Equivalents to Statement of Net Position				
Cash and investments	\$ 5,280,841	\$ 5,147,039	\$ 3,739,925	\$ 14,167,805
Restricted cash and investments, current	481,943	-	-	481,943
Restricted cash and investments, noncurrent	<u>582,810</u>	<u>3,927,064</u>	<u>-</u>	<u>4,509,874</u>
Total cash and investments	6,345,594	9,074,103	3,739,925	19,159,622
Less noncash equivalents	<u>(506,934)</u>	<u>(613,104)</u>	<u>-</u>	<u>(1,120,038)</u>
Cash and cash equivalents	<u>\$ 5,838,660</u>	<u>\$ 8,460,999</u>	<u>\$ 3,739,925</u>	<u>\$ 18,039,584</u>

City of Watertown

Section 3, Item A.

Statement of Fiduciary Net Position -
Custodial Fund
December 31, 2022

	<u>Tax Collection Fund</u>
Assets	
Cash and investments	\$ 14,769,518
Taxes receivable	<u>7,017,442</u>
 Total assets	 <u>21,786,960</u>
 Liabilities	
Due to other taxing units	<u>21,786,960</u>
 Net Position	 <u>\$ -</u>

City of Watertown

Section 3, Item A.

Statement of Changes in Fiduciary Net Position -
Custodial Fund
Year Ended December 31, 2022

	Tax Collection Fund
Additions	
Property taxes collected for other governments	\$ 15,399,488
Total additions	<u>15,399,488</u>
Deductions	
Property taxes distributed to other governments	<u>15,399,488</u>
Total deductions	<u>15,399,488</u>
Change in net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

	<u>Page</u>
1. Summary of Significant Accounting Policies	17
Reporting Entity	17
Government-Wide and Fund Financial Statements	18
Measurement Focus, Basis of Accounting and Financial Statement Presentation	20
Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	21
Deposits and Investments	21
Receivables	22
Inventories and Prepaid Items	23
Restricted Assets	23
Capital Assets	24
Deferred Outflows of Resources	24
Compensated Absences	24
Long-Term Obligations/Conduit Debt	25
Deferred Inflows of Resources	25
Equity Classifications	25
Pension	27
Basis for Existing Rates	27
2. Reconciliation of Government-Wide and Fund Financial Statements	27
Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position	27
3. Stewardship, Compliance and Accountability	28
Excess Expenditures and Other Financing Uses Over Budget	28
Deficit Balances	28
Limitations on the City's Tax Levy	28
4. Detailed Notes on All Funds	29
Deposits and Investments	29
Receivables	31
Restricted Assets	32
Capital Assets	33
Interfund Receivables/Payables, Advances and Transfers	35
Long-Term Obligations	37
Net Position/Fund Balances	40
Component Unit	42
5. Other Information	43
Employees' Retirement System	43
Risk Management	49
Commitments and Contingencies	50
Subsequent Event	50
Tax Abatement	50
Effect of New Accounting Standards on Current-Period Financial Statements	52

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Unit

City of Watertown Redevelopment Authority

The government-wide financial statements include the City of Watertown Redevelopment Authority (RDA) as a component unit. The RDA is a legally separate organization. The board of the RDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the RDA, and also create a potential financial benefit to or burden on the City. See Note 4. As a component unit, the RDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2022. Separately issued financial statements of the City of Watertown Redevelopment Authority may be obtained from the RDA's office.

Government-Wide and Fund Financial Statements**Government-Wide Financial Statements**

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

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

Fund Financial Statements

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

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

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

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

The City reports the following major governmental funds:

General Fund

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

Debt Service Funds

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

Capital Projects Funds

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

Enterprise Funds

The City reports the following major enterprise funds:

Water Utility accounts for operations of the water system

Wastewater Utility accounts for operations of the wastewater system

Stormwater Utility accounts for operations of the stormwater system

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

Transit System Fund
CDBG Economic Fund
CDBG Housing Rehab Fund
Library Fund
Fiber Optic Fund
ARPA Fund
Riverfest Fund

Developer Parks Fund
Environmental Health Fund
Emergency Preparedness Fund
Seal-A-Smile Fund
Library Trust Fund
Tourism Fund
Solid Waste Fund

Capital Projects Funds

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

TID No. 4
TID No. 5
TID No. 6

TID No. 7
TID No. 8

Permanent Fund

Permanent Fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Library Trust

In addition, the City reports the following fund type:

Custodial Fund

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

Tax Collection Fund

Measurement Focus, Basis of Accounting and Financial Statement Presentation**Government-Wide Financial Statements**

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

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

Fund Financial Statements

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

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

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

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

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

Proprietary and Fiduciary Funds

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

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

All Financial Statements

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

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

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

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

- g. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The City has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk
- Interest rate risk
- Concentration of credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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

See Note 4 for further information.

Receivables

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

Property tax calendar - 2022 tax roll:

Lien date and levy date	December 2022
Tax bills mailed	December 2022
Payment in full, or	January 31, 2023
First installment due	January 31, 2023
Second installment due	April 30, 2022
Third installment due	July 31, 2022
Personal property taxes in full	January 31, 2023
Tax sale - 2022 delinquent real estate taxes	October 2025

Accounts receivable have been shown net of an allowance for uncollectible accounts for EMS of \$534,781. Delinquent real estate taxes as of July 31 are paid in full by the County, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and wastewater utilities because they have the right by law to place substantially all delinquent bills on the tax roll and other delinquent bills are generally not significant.

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

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

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$73,683.

It is the City's policy to record revenue when the initial loan is made from the federal and state grant funds. The net amount of the loan receivable balance is included in restricted fund balance. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets**Government-Wide Financial Statements**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 general capital assets and \$50,000 for infrastructure assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

Buildings	15-70 Years
Land Improvements	12-40 Years
Machinery and Equipment	5-45 Years
Utility Systems	7-100 Years
Infrastructure	40-80 Years
Airport	20-30 Years

Fund Financial Statements

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

Deferred Outflows of Resources

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

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

Compensated Absences

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

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

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retiring from the City meeting certain age requirements and with a minimum of 10 years of service. The benefits are based on contractual agreements with employee groups, local ordinances or employee benefit policies. Employees may convert \$60 (police union \$50/day) per day for up to 120 days of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The premiums are paid 50% by the converted sick leave and 50% by the employee. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is four. The total amount outstanding at year-end to be paid in the future is not material to these financial statements.

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

Long-Term Obligations/Conduit Debt

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

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

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$3,149,748, made up of one issue.

Deferred Inflows of Resources

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

Equity Classifications

Government-Wide Statements

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

- a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund balances are displayed as follows:

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

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

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

The City has a formal minimum fund balance policy. That policy is to maintain an unassigned general fund balance within a range of 20% to 30% of annual general fund budgeted expenditures, with a targeted goal of 25%. The unassigned general fund balance at year-end was \$5,606,489 or 30.5% of 2022 general fund budgeted expenditures.

See Note 4 for further information.

Pension

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

Basis for Existing Rates**Water Utility**

Current water rates were approved by the Public Service Commission of Wisconsin effective April 11, 2017.

Wastewater Utility

Current wastewater rates were approved by the Public works Committee on January 2, 2017.

Stormwater Utility

Current stormwater rates were approved by the City council effective August 1, 2020.

2. Reconciliation of Government-Wide and Fund Financial Statements**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between fund balance, total governmental funds and net position, governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net position.

Bonds and notes payable	\$ 32,060,000
Compensated absences	988,549
Accrued interest	80,826
Premium on debt	<u>1,335,101</u>
Combined adjustment for long-term liabilities	<u>\$ 34,464,476</u>

3. Stewardship, Compliance and Accountability**Excess Expenditures and Other Financing Uses Over Budget**

Funds	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Expenditures and Other Financing Uses Over Budget
Debt service fund	\$ 4,927,721	\$ 4,931,624	\$ 3,903
Library trust	947,977	1,133,744	185,767
Tourism fund	83,850	104,030	20,180
Riverfest fund	465,275	487,795	22,520
Solid Waste Fund	1,660,549	1,672,134	11,585

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

Deficit Balances

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

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

Fund	Amount	Reason
TID No. 8 capital projects fund	\$ 24,383	Excess of expenditures over revenues

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

Limitations on the City's Tax Levy

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

4. Detailed Notes on All Funds**Deposits and Investments**

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 10,169,532	\$ 10,255,763	Custodial credit
U.S. agencies, implicitly guaranteed	3,333,752	3,333,752	Credit, custodial credit, concentration of credit, interest rate
US treasuries	3,384,305	3,384,305	Custodial credit, Interest rate
LGIP	32,596,536	32,596,536	Credit
State & local bonds	1,634,033	1,634,033	Credit, custodial credit, concentration of credit, interest rate
Certificates of deposit (negotiable)	2,372,516	2,372,516	Credit, custodial credit, concentration of credit, interest rate
2a-7 pool	524,906	524,906	Credit
Petty cash	8,415	-	N/A
Total deposits and investments	<u>\$ 54,023,995</u>	<u>\$ 54,101,811</u>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 34,262,660		
Restricted cash and investments	4,991,817		
Per statement of net position, custodial fund:			
Cash and investments	<u>14,769,518</u>		
Total deposits and investments	<u>\$ 54,023,995</u>		

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

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

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

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the City's investments are covered by SIPC. Additionally, through London insurers, accounts have additional securities coverage of \$149.5 million per customer, subject to a \$500 million aggregate firm limit.

The City maintains collateral agreements with its banks. At December 31, 2022, the banks had pledged various government securities in the amount of \$6,565,330 to secure the City's deposits.

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

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

- Quoted market prices for either identical or similar assets
- Present value of expected future cash flow

Investment Type	December 31, 2022			
	Level 1	Level 2	Level 3	Total
U.S. agencies, implicitly guaranteed	\$ -	\$ 3,333,752	\$ -	\$ 3,333,752
U.S. treasuries	3,384,305	-	-	3,384,305
Certificates of deposits (negotiable)	-	2,372,516	-	2,372,516
State & local bonds	-	1,634,033	-	1,634,033
Total	<u>\$ 3,384,305</u>	<u>\$ 7,340,301</u>	<u>\$ -</u>	<u>\$ 10,724,606</u>

Custodial Credit Risk

Deposits

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

As of December 31, 2022, \$2,969,076 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 2,969,076</u>
Total	<u>\$ 2,969,076</u>

Investments

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

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

Credit Risk

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

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

Investment Type	Amount	Standard & Poors
U.S. agencies, implicitly guaranteed	\$ 2,200,373	AA+
U.S. agencies, implicitly guaranteed	1,133,379	Not rated
State and local bonds	749,723	AA
State and local bonds	139,768	AA-
State and local bonds	258,344	AA+
State and local bonds	486,198	Not rated
Certificates of deposit (negotiable)	2,372,516	Not rated
2a-7 like pool	524,906	Not rated

The City also held investments in the following external pool which is not rated:

Local Government Investment Pool

Interest Rate Risk

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

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

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	1-5
U.S. agencies, implicitly guaranteed	\$ 3,333,752	\$ 1,415,659	\$ 1,918,093
U.S. treasuries	3,384,305	1,842,746	1,541,559
Certificates of deposits (negotiable)	2,372,516	778,934	1,593,582
State & local bonds	1,634,033	1,008,699	625,334
Total	<u>\$ 10,724,606</u>	<u>\$ 5,046,038</u>	<u>\$ 5,678,568</u>

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

Receivables

All receivables, except \$31,211 in general fund, \$31,246 in general capital projects fund and \$722,045 of loans in nonmajor funds and \$73,833 of pledges in nonmajor funds are expected to be collected within one year.

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

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 16,852,375	\$ -
Special assessments receivable	-	60,012
Library pledges	-	73,833
EMS accounts receivable not available	-	258,884
Other receivable	-	25,358
Grant receivable	-	448,008
ARPA grant	<u>1,871,009</u>	<u>-</u>
Total unearned/unavailable revenue for governmental funds	<u>\$ 18,723,384</u>	<u>\$ 866,095</u>
Unearned revenue included in liabilities	\$ 1,871,009	
Unearned revenue included in deferred inflows	<u>16,852,375</u>	
Total unearned revenue for governmental funds	<u>\$ 18,723,384</u>	

For economic development loans, the City is limited by the Wisconsin Department of Administration to the amount of program income from economic development loans that it may retain to be loaned to other businesses and/or the amount of time for which funds may be held without use. Program income includes the principal and interest received from economic development loans repayments.

At December 31, 2022, the City has not exceeded the maximum amount of program income that it may retain or the amount of time for which funds may be held without use. When it does, a liability to the state will be recorded.

Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

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

Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Equipment Replacement Account

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

Net Pension Asset

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

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

Restricted assets:

Redemption account	\$ 481,943
Reserve account	453,079
Depreciation account	129,731
Replacement account	3,927,064
Net pension asset	<u>7,292,812</u>

Total restricted assets	<u>\$ 12,284,629</u>
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Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 8,545,614	\$ 225,825	\$ -	\$ 8,771,439
Construction in progress	<u>7,734,037</u>	<u>618,417</u>	<u>8,165,126</u>	<u>187,328</u>
Total capital assets not being depreciated	<u>16,279,651</u>	<u>844,242</u>	<u>8,165,126</u>	<u>8,958,767</u>
Capital assets being depreciated:				
Land improvements	4,115,186	79,060	-	4,194,246
Buildings	19,977,857	8,266,971	-	28,244,828
Machinery and equipment	14,842,489	1,161,864	123,587	15,880,766
Roads	77,358,621	936,748	308,883	77,986,486
Bridges	8,446,786	-	-	8,446,786
Sidewalks	3,341,104	169,126	-	3,510,230
Dams	2,057,689	-	-	2,057,689
Airport	5,009,031	-	-	5,009,031
Rail spur	<u>895,335</u>	<u>-</u>	<u>-</u>	<u>895,335</u>
Total capital assets being depreciated	<u>136,044,098</u>	<u>10,613,769</u>	<u>432,470</u>	<u>146,225,397</u>
Total capital assets	<u>152,323,749</u>	<u>11,458,011</u>	<u>8,597,596</u>	<u>155,184,164</u>
Less accumulated depreciation for:				
Land improvements	\$ (1,900,558)	\$ (113,136)	\$ -	\$ (2,013,694)
Buildings	(12,055,750)	(653,478)	-	(12,709,228)
Machinery and equipment	(7,922,530)	(915,436)	123,587	(8,714,379)
Roads	(42,581,839)	(1,949,662)	308,883	(44,222,618)
Bridges	(2,159,751)	(105,585)	-	(2,265,336)
Sidewalks	(1,215,467)	(58,504)	-	(1,273,971)
Dams	(260,631)	(25,721)	-	(286,352)
Airport	(3,903,647)	(45,208)	-	(3,948,855)
Rail spur	<u>(124,270)</u>	<u>(11,192)</u>	<u>-</u>	<u>(135,462)</u>
Total accumulated depreciation	<u>(72,124,443)</u>	<u>(3,877,922)</u>	<u>432,470</u>	<u>(75,569,895)</u>
Net capital assets being depreciated	<u>63,919,655</u>	<u>6,735,847</u>	<u>-</u>	<u>70,655,502</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 80,199,306</u>	<u>\$ 7,580,089</u>	<u>\$ 8,165,126</u>	<u>\$ 79,614,269</u>

Notes to Financial Statements
December 31, 2022

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 270,087
Public safety	402,788
Public works	2,624,280
Culture, recreation, education	525,554
Health and human services	18,946
Conservation and development	<u>36,267</u>

Total governmental activities depreciation expense \$ 3,877,922

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 3,745,955	\$ 175,222	\$ -	\$ 3,921,177
Construction in progress	<u>386,334</u>	<u>816,670</u>	<u>39,533</u>	<u>1,163,471</u>
Total capital assets not being depreciated	<u>4,132,289</u>	<u>991,892</u>	<u>39,533</u>	<u>5,084,648</u>
Capital assets being depreciated:				
Water system	54,356,085	1,004,753	308,021	55,052,817
Wastewater system	61,229,626	562,504	134,368	61,657,762
Stormwater system	<u>21,423,985</u>	<u>55,428</u>	<u>-</u>	<u>21,479,413</u>
Total capital assets being depreciated	<u>137,009,696</u>	<u>1,622,685</u>	<u>442,389</u>	<u>138,189,992</u>
Total capital assets	<u>141,141,985</u>	<u>2,614,577</u>	<u>481,922</u>	<u>143,274,640</u>
Less accumulated depreciation for:				
Water system	(17,703,590)	(1,356,530)	310,762	(18,749,358)
Wastewater system	(25,484,276)	(1,698,216)	134,368	(27,048,124)
Stormwater system	<u>(8,556,619)</u>	<u>(568,718)</u>	<u>-</u>	<u>(9,125,337)</u>
Total accumulated depreciation	<u>(51,744,485)</u>	<u>(3,623,464)</u>	<u>445,130</u>	<u>(54,922,819)</u>
Net capital assets being depreciated	<u>85,265,211</u>	<u>(2,000,779)</u>	<u>(2,741)</u>	<u>83,267,173</u>
Business-type capital assets, net of accumulated depreciation	<u>\$ 89,397,500</u>	<u>\$ (1,008,887)</u>	<u>\$ 36,792</u>	<u>\$ 88,351,821</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 1,297,666
Wastewater	1,698,216
Stormwater	<u>568,718</u>

Total business-type activities depreciation expense \$ 3,564,600

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

Interfund Receivables/Payables, Advances and Transfers**Interfund Receivables/Payables**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Utility	\$ 825,249
General Fund	Transit System	18,309
Water Utility	General Fund	167,915
Wastewater Utility	General Fund	151,439
Stormwater Utility	General Fund	49,242
Wastewater Utility	Water Utility	<u>45,193</u>
Total, fund financial statement		1,257,347
Less fund eliminations		(63,502)
Less government-wide eliminations		<u>(737,192)</u>
Total internal balances, government-wide statement of net position		<u>\$ 456,653</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental activities	Business-type activities	\$ 825,249
Business-type activities	Governmental activities	<u>(368,596)</u>
Total government-wide financial statements		<u>\$ 456,653</u>

All amounts are due within one year.

The principal purpose of these interfunds is payment in lieu of taxes and utility special assessments on the tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Advances

The general fund is advancing funds to TID No. 8 capital project fund.. The amount advanced is deficiency of revenues over expenditures and other financing sources. No repayment schedule has been established.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General Fund	TID No. 8	\$ 24,383	\$ 24,383
Total, fund financial statements		24,383	
Less fund eliminations		<u>(24,383)</u>	
Total, interfund advances, government-wide statement of net position		<u>\$ -</u>	

The principal purpose of this advance is expenditures in excess of revenues.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water Utility	\$ 825,845	Tax equivalent
Transit System	General Fund	<u>60,000</u>	Fund operations
Total, fund financial statements		885,845	
Less fund eliminations		(60,000)	
Less capital contributions to business-type activities		<u>(82,072)</u>	
Total transfers, government-wide statement of activities		<u>\$ 743,773</u>	

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

Notes to Financial Statements
December 31, 2022**Long-Term Obligations**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 34,440,000	\$ 2,740,000	\$ 5,120,000	\$ 32,060,000	\$ 5,180,000
Premiums	1,384,343	146,715	195,957	1,335,101	-
Total bonds and notes payable	<u>35,824,343</u>	<u>2,886,715</u>	<u>5,315,957</u>	<u>33,395,101</u>	<u>5,180,000</u>
Other liabilities:					
Accumulated vacation	785,089	621,009	785,089	621,009	621,009
Vested sick leave	359,791	7,749	-	367,540	-
Total other liabilities	<u>1,144,880</u>	<u>628,758</u>	<u>785,089</u>	<u>988,549</u>	<u>621,009</u>
Total governmental activities long-term liabilities	<u>\$ 36,969,223</u>	<u>\$ 3,515,473</u>	<u>\$ 6,101,046</u>	<u>\$ 34,383,650</u>	<u>\$ 5,801,009</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 425,000	\$ -	\$ 280,000	\$ 145,000	\$ 145,000
Revenue debt from direct borrowings and direct placements	10,609,100	-	2,363,203	8,245,897	481,318
Revenue bonds	2,295,000	-	640,000	1,655,000	190,000
Premiums	169,044	-	28,696	140,348	-
Total bonds and notes payable	<u>13,498,144</u>	<u>-</u>	<u>3,311,899</u>	<u>10,186,245</u>	<u>816,318</u>
Other liabilities:					
Vested compensated absences	217,266	36,349	45,970	207,645	14,809
Total other liabilities	<u>217,266</u>	<u>36,349</u>	<u>45,970</u>	<u>207,645</u>	<u>14,809</u>
Total business-type activities long-term liabilities	<u>\$ 13,715,410</u>	<u>\$ 36,349</u>	<u>\$ 3,357,869</u>	<u>\$ 10,393,890</u>	<u>\$ 831,127</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2022, was \$97,919,165. Total general obligation debt outstanding at year end was \$32,205,000.

General Obligation Debt

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

Governmental Activities					
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Refunding Bonds	03/16/11	2026	2.00-4.25%	\$ 1,100,000	\$ 90,000
Refunding Bonds	02/26/13	2025	2.00-2.50	7,625,000	1,840,000
Promissory Notes	03/19/14	2023	2.00-3.00	3,300,000	400,000
Promissory Notes	03/10/15	2024	2.00-3.00	4,080,000	1,205,000
Refunding Bonds	03/10/15	2027	2.00-4.00	710,000	365,000
Promissory Notes	02/23/16	2025	3.00	2,600,000	1,600,000
Refunding Bonds	02/23/16	2028	2.00-3.00	7,410,000	4,145,000
Promissory Notes	03/01/17	2026	2.00-4.00	3,000,000	1,415,000
Refunding Bonds	03/01/17	2023	1.50-2.70	710,000	145,000
Promissory Notes	02/27/18	2027	3.00-4.00	4,100,000	2,655,000
Promissory Notes	03/06/19	2028	3.00-5.00	3,115,000	2,650,000
Promissory notes	03/03/20	2030	2.00-3.00	3,285,000	3,105,000
Promissory Notes	03/03/20	2030	1.60-2.30	2,805,000	2,320,000
Refunding Bonds	03/08/21	2040	1.50-2.00	4,180,000	4,180,000
Promissory Notes	03/08/21	2031	1.00-2.00	3,320,000	3,205,000
Promissory Notes	03/01/22	2032	2.05-3.00	2,740,000	2,740,000
Total governmental activities, general obligation debt					<u>\$ 32,060,000</u>

Business-Type Activities					
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Refunding Bonds	02/23/16	2023	3.00%	\$ 1,240,000	\$ 125,000
Refunding Bonds	03/01/17	2023	1.50-2.70	95,000	20,000
Total business-type activities, general obligation debt					<u>\$ 145,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2023	\$ 5,180,000	\$ 780,764	\$ 145,000	\$ 2,145
2024	4,975,000	624,450	-	-
2025	4,760,000	478,828	-	-
2026	3,670,000	355,185	-	-
2027	3,270,000	258,088	-	-
2028-2032	7,675,000	511,940	-	-
2033-2037	1,540,000	156,705	-	-
2038-2040	990,000	24,091	-	-
Total	<u>\$ 32,060,000</u>	<u>\$ 3,190,051</u>	<u>\$ 145,000</u>	<u>\$ 2,145</u>

Revenue Debt

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

The water utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2012-2017. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from water revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require 20% of net revenues. The total principal and interest remaining to be paid on the bonds is \$11,352,125. Principal and interest paid for the current year and total customer net revenues were \$1,335,187 and \$3,744,234, respectively.

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

Business-Type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
Water Utility					
Revenue bonds	04/23/12	2032	2.00-3.50%	\$ 5,880,000	\$ 1,155,000
Revenue bonds	03/01/17	2027	2.00-3.00	945,000	500,000
Revenue bonds, direct	03/01/17	2037	1.87	10,502,499	8,245,897
				Total Water Utility	<u>9,900,897</u>
Total business-type activities, revenue debt					<u>\$ 9,900,897</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-Type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 190,000	\$ 49,338
2024	200,000	43,487
2025	210,000	37,338
2026	215,000	30,962
2027	215,000	24,512
2028-2032	625,000	55,844
Total	<u>\$ 1,655,000</u>	<u>\$ 241,481</u>

<u>Years</u>	Business-Type Activities Revenue Debt from Direct Borrowings and Direct Placements	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 481,318	\$ 149,698
2024	490,319	140,613
2025	499,488	131,358
2026	508,828	121,931
2027	518,343	112,327
2028-2032	2,740,787	411,168
2033-2037	3,006,814	142,652
Total	<u>\$ 8,245,897</u>	<u>\$ 1,209,747</u>

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the water's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The water's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Net Position/Fund Balances

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

Governmental Activities

Net investment in capital assets:

Land	\$ 8,771,439
Construction in progress	187,328
Other capital assets, net of accumulated depreciation	70,655,502
Less long-term debt outstanding	(32,060,000)
Plus unspent capital related debt proceeds	854,413
Plus noncapital debt proceeds	3,560,074
Less unamortized debt premium	<u>(1,335,101)</u>
Total net investment in capital assets	<u>\$ 50,633,655</u>

Notes to Financial Statements
December 31, 2022**Governmental Funds**

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

	General Fund	Debt Service	General Capital Projects	Nonmajor Funds	Total
Fund Balances					
Nonspendable:					
Delinquent personal property taxes	\$ 2,445	\$ -	\$ -	\$ -	\$ 2,445
Prepaid items	249,632	-	-	15,399	265,031
Advances to other funds	24,383	-	-	-	24,383
Permanent fund principal	-	-	-	18,200	18,200
Subtotal	<u>276,460</u>	<u>-</u>	<u>-</u>	<u>33,599</u>	<u>310,059</u>
Restricted for:					
Capital projects	-	-	845,413	-	845,413
Debt service	-	86,600	-	-	86,600
TID activities	-	-	-	4,262,364	4,262,364
Library	-	-	-	844,602	844,602
Grant/loan programs	-	-	-	1,099,745	1,099,745
Emergency management training	5,542	-	-	-	5,542
Developer parks	-	-	-	155,938	155,938
Tourism	-	-	-	20,295	20,295
Health program activities	-	-	-	38,857	38,857
Subtotal	<u>5,542</u>	<u>86,600</u>	<u>845,413</u>	<u>6,421,801</u>	<u>7,359,356</u>
Committed to:					
General capital projects	-	-	1,511,631	-	1,511,631
Riverfest operations	-	-	-	44,897	44,897
Environmental health	-	-	-	588,835	588,835
Refuse collection and recycling	-	-	-	725,767	725,767
Fiber optics	-	-	-	97,826	97,826
Subtotal	<u>-</u>	<u>-</u>	<u>1,511,631</u>	<u>1,457,325</u>	<u>2,968,956</u>
Assigned to:					
Water utility tax equivalent	825,249	-	-	-	825,249
Carryovers	45,420	-	-	-	45,420
Subsequent year's budget	781,801	-	-	-	781,801
General reserve projects	213,774	-	-	-	213,774
Subtotal	<u>1,866,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,866,244</u>
Unassigned (deficit):	<u>5,606,489</u>	<u>-</u>	<u>-</u>	<u>(24,383)</u>	<u>5,582,106</u>
Total fund balances (deficit)	<u>\$ 7,754,735</u>	<u>\$ 86,600</u>	<u>\$ 2,357,044</u>	<u>\$ 7,888,342</u>	<u>\$ 18,086,721</u>

Business-Type Activities

Net investment in capital assets:

Land	\$ 3,921,177
Construction in progress	1,163,471
Other capital assets, net of accumulated depreciation	83,267,173
Less Long-term capital related debt outstanding	(10,025,897)
Plus unspent capital related debt proceeds	453,079
Less unamortized debt premium	(140,348)
Plus unamortized loss on advance refunding	38,918

Total net investment in capital assets \$ 78,677,573

Component Unit**City of Watertown Redevelopment Authority**

This report contains the City of Watertown Redevelopment Authority (RDA), which is included as a component unit.

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

a. Basis of Accounting/Measurement Focus

The RDA follows the modified accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 660,476	\$ 663,174	Custodial credit risk
Watertown Community Foundation	<u>711,074</u>	<u>711,074</u>	Credit risk
Total deposits and investments	<u>\$ 1,371,550</u>	<u>\$ 1,374,248</u>	

Custodial Credit Risk**Deposits**

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

As of December 31, 2022, \$45,692 of the RDA's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 45,692</u>
Total	<u>\$ 45,692</u>

Investments

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

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

Credit Risk

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

The RDA had investments in the Watertown Community Foundation external investment pool which is not rated.

c. Long-Term Obligations

The Authority has revolving lines of credit with three local banks. The banks have partnered with the Authority on the loan program. Repayments are made on the lines of credit from loan repayments. Interest is charged at 1%. Principal amount outstanding as of December 31, 2022 was \$480,399. Interest amount outstanding as of December 31, 2022 was not significant. The Authority's outstanding line of credit payable is considered direct borrowings. The line of credit contains clauses that any delinquent payments are subject to a penalty of 1% per month and can become immediately due.

Debt service requirements to maturity are as follows:

	<u>Principal</u>
2023	\$ 146,773
2024	32,213
2025	60,038
2026	157,522
2027	<u>83,853</u>
Total	<u><u>\$ 480,399</u></u>

d. Loans Receivable

Loans have been disbursed to commercial property owners. Interest is charged at the rate of 2% on the outstanding balance and does not fluctuate. There is a repayment schedule established for each of the six loans varying in terms.

e. Capital Assets

Capital assets consisted of construction in progress for the Town Square project which was not completed at year-end in the amount of \$4,852,555.

5. Other Information

Employees' Retirement System**Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

Vesting

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

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

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

Contributions

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

During the reporting period, the WRS recognized \$1,080,200 in contributions from the City.

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

Employee Category	Employee	Employer
General (executives & elected officials)	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.75 %
Protective without Social Security	6.75 %	16.35 %

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

At December 31, 2022, the City reported an asset of \$7,292,812 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.09047948%, which was an increase of 0.00156768% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension expense (revenue) of \$(661,812).

At December 31, 2022, the City 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 projected and actual experience	\$ 11,781,170	\$ 849,549
Changes in assumptions	1,360,589	-
Net differences between projected and actual earnings on pension plan investments	-	16,314,627
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,590	2,649
Employer contributions subsequent to the measurement date	<u>1,117,043</u>	<u>-</u>
Total	<u>\$ 14,269,392</u>	<u>\$ 17,166,825</u>

\$1,117,043 reported as deferred outflows of resources 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:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2023	\$ (339,065)
2024	(1,973,829)
2025	(867,384)
2026	(834,198)

Actuarial Assumptions

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

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

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

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

Long-Term Expected Return on Plan Assets

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

Asset Allocation Targets and Expected Returns* As of December 31, 2021

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %**
Global Equities	52	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive	19	2.7	0.2
Real Estate	7	5.6	3
Private Equity/Debt	12	9.7	7
Total Core Fund***	115	6.6	4
Variable Fund Asset			
U.S Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

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

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

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

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the investment rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
City's proportionate share of the net pension liability (asset)	<u>\$ 5,174,767</u>	<u>\$ (7,292,812)</u>	<u>\$ (16,267,150)</u>

Pension Plan Fiduciary Net Position

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

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

Protective employees of the City hired prior to 1948 are covered under the City's police and fire pension funds established under Chapter 62 of the Wisconsin Statutes. These pension plans were assumed by the Wisconsin Retirement Fund as of April 1, 1978. The City's total contribution to the fund during 2022 was \$8,531. The estimated liability for future payments based on current pension payment amounts and actuarial table mortality rates for covered individuals is insignificant.

Risk Management

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

Commitments and Contingencies

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

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

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

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

Subsequent Event

On March 28, 2023 the City issued general obligation promissory notes in the amount of \$3,995,000 with an interest rate of 5%. This amount will be used to finance 2023 capital projects.

Tax Abatement

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City is disclosing all abatement agreements individually.

The City through its Tax Incremental Financing Districts has entered into tax abatement agreements with a developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>2022 Payments</u>
\$3,000,000 incentive payment from the City for which the City took out a 20-year loan. Developer guaranteed tax increments to cover annual City debt payments on the loan. Excess increments over debt payments are paid to the developer.	Excess increment	Developer agreed to construct an approximate 85,000 square foot building for a supermarket and a 10,000 square foot building for a bank with an estimated equalized value of \$13,064,837.	\$ 122,200
The City agreed to provide a \$1,000,000 incentive payment in the form of a Municipal Revenue Obligation from 85% of the available increment generated by the project until paid but no later than December 31, 2038. Outstanding balance at December 31, 2022 was \$725,281.	Tax increment	Developer agreed to a \$4,500,000 renovation and a \$2,400,000 addition/expansion for a minimum equalized value increase of \$2,475,000.	63,163
The City will contribute \$450,000 from tax increment generated by the property to the developer upon substantial completion of the Riverwalk work. Unpaid amount will accrue interest at the rate of 6.25%. Outstanding balance, including interest at December 31, 2022, was \$313,476.	Tax increment	Developer agreed to construct a housing complex.	47,182

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>2022 Payments</u>
The City agreed to provide a \$600,000 incentive payment in the form of a Municipal Revenue Obligation from 85% of the available increment generated by the project until paid, but no later than December 31, 2026. Outstanding balance at December 31, 2022 was \$244,600.	Tax increment	Developer agreed to construct 75,000 square foot building for its gas operations	\$ 86,584

Effect of New Accounting Standards on Current-Period Financial Statements

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Watertown

Section 3, Item A.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Taxes				
General property taxes for city purposes	\$ 10,050,000	\$ 10,050,000	\$ 10,050,058	\$ 58
Payments in lieu of taxes	232,300	232,300	199,365	(32,935)
Interest on taxes	23,000	23,000	31,295	8,295
Total	10,305,300	10,305,300	10,280,718	(24,582)
Intergovernmental				
Shared taxes from state	3,145,584	3,145,584	3,148,312	2,728
Computer exemption aid	55,124	55,124	55,124	-
Fire insurance from state	76,000	76,000	76,084	84
State aid, service to state facilities	3,200	3,200	2,597	(603)
State aid, police training	57,960	57,960	57,718	(242)
State aid, road allotment	1,017,106	1,017,106	1,014,290	(2,816)
State aid, connecting streets	50,044	50,044	50,044	-
State aid, health department grant	165,150	175,150	189,288	14,138
State aid, gas tax refund	8,000	8,000	6,246	(1,754)
Urban forestry grant	25,000	25,000	43,073	18,073
Police grant, Dept. of Justice	-	-	3,313	3,313
Total	4,603,168	4,613,168	4,646,089	32,921
Licenses and Permits				
Class A, malt, retail and grocery	1,900	1,900	580	(1,320)
Class A, liquor, liquor store	6,750	6,750	8,700	1,950
Class B, malt and liquor	23,100	23,100	22,097	(1,003)
Class B, malt only	900	900	1,050	150
Class B, malt, special events	400	400	320	(80)
Special events licenses, police officers	1,100	1,100	970	(130)
Beverage operator licenses	21,500	21,500	23,066	1,566
Cigarette licenses	700	700	675	(25)
Dog licenses	9,500	9,500	7,691	(1,809)
Dog penalties	1,100	1,100	905	(195)
Miscellaneous licenses	700	700	1,120	420
Licenses and Permits				
Bicycle license fees	50	50	65	15
Building permits, plan approval and state stickers	86,200	86,200	81,814	(4,386)
Demolition permits	500	500	175	(325)
Registration of vacant buildings/derelict structures	1,000	1,000	900	(100)
Derelict structures	750	750	-	(750)
Chicken permits	250	250	200	(50)
Occupy street/sidewalk	3,100	29,100	22,760	(6,340)
Heating permits	24,000	24,000	28,764	4,764
Electric permits	25,000	25,000	34,988	9,988
Plumbing permits	15,775	15,775	11,626	(4,149)
Swimming pool permits	175	175	175	-
Sign permits	350	350	1,250	900
Fire protection permits	1,500	1,500	1,800	300
Miscellaneous permits	7,500	7,500	13,326	5,826
Court penalties and costs	195,000	195,000	181,477	(13,523)
Total	428,800	454,800	446,494	(8,306)

City of Watertown

Section 3, Item A.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public Charges for Services				
Clerk and treasurer fees	\$ 14,000	\$ 14,000	\$ 14,815	\$ 815
Publication fees	3,500	3,500	4,235	735
Cable TV fees	210,000	210,000	219,771	9,771
Appeal fees	-	-	200	200
Site plan review fees	5,000	5,000	2,700	(2,300)
Public hearing fees	12,500	12,500	17,600	5,100
Reimbursement from prior year	-	-	2,492	2,492
Sales tax discount	100	100	104	4
Miscellaneous	2,000	2,000	1,979	(21)
Charges for city services, tax exempt property	15,800	15,800	21,200	5,400
Police department revenue	16,100	16,100	23,479	7,379
Alarm permits/response fees	3,000	3,000	3,645	645
Ambulance - EMS charges	650,000	650,000	805,357	155,357
Fire cost recovery	2,500	2,500	638	(1,862)
Health department revenue	1,500	1,500	4,950	3,450
County aid - health check	1,500	1,500	4,779	3,279
Parking violations	32,000	32,000	35,078	3,078
Yard waste exemption	100	100	75	(25)
Fees for plans and specs	500	500	1,437	937
Public Charges for Services				
Public works charges for services	5,000	5,000	7,168	2,168
Recreation department revenues	120,000	120,000	125,713	5,713
Recreation department concessions	1,000	1,000	695	(305)
Ticket sales revenue	400	400	-	(400)
Aquatic center revenue	140,000	140,000	118,616	(21,384)
Indoor swimming pool	35,000	35,000	31,055	(3,945)
Senior center revenue	300	300	188	(112)
Senior center memberships	3,000	3,000	5,326	2,326
Senior center rental fees	10,000	10,000	17,148	7,148
Park rentals	30,000	30,000	33,462	3,462
Miscellaneous park revenues	25,000	25,000	13,287	(11,713)
Total	1,339,800	1,339,800	1,517,192	177,392
Intergovernmental Charges for Services				
Fire/EMS protection services, townships	283,537	283,537	287,287	3,750
Investment Income				
Investment income (loss)	150,000	150,000	(151,064)	(301,064)
Miscellaneous Revenues				
Insurance dividends	35,000	35,000	26,264	(8,736)
Airport crop land rental	6,840	6,840	6,690	(150)
Airport hangar rental	15,000	15,000	15,746	746
Airport fuel tax	1,500	1,500	3,203	1,703
Credit card rebate	35,500	35,500	21,874	(13,626)
Fire prevention programs	-	-	5,300	5,300
Fire donations	2,000	2,000	-	(2,000)
Police K-9	-	-	2,675	2,675
Police donations	-	-	23,419	23,419
Senior center fundraising	-	-	14,116	14,116
EMS/EMT Training	-	-	7,848	7,848
4th of July parade	-	-	14,280	14,280
Christmas parade	-	-	5,738	5,738
Total	95,840	95,840	147,153	51,313

See notes to required supplementary information

City of Watertown

Section 3, Item A.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Other Financing Sources				
Sale of assets	\$ 15,000	\$ 15,000	\$ 48,139	\$ 33,139
Transfer in, tax equivalent	945,000	945,000	825,845	(119,155)
Total	960,000	960,000	873,984	(86,016)
Total revenues and other financing sources	18,166,445	18,202,445	18,047,853	(154,592)
General Government				
Common council	107,278	87,778	94,684	(6,906)
Commissions and committees	300	300	200	100
Municipal court	111,253	111,253	110,049	1,204
Mayor	171,118	171,118	170,126	992
Clerk/treasurer	488,421	491,921	448,131	43,790
Elections	59,028	54,028	50,656	3,372
Human resources	83,367	83,367	83,460	(93)
Assessment of property	57,750	145,745	145,749	(4)
Accounting and auditing	70,000	70,000	61,656	8,344
City attorney	249,737	242,737	239,729	3,008
Special legal fees	5,000	5,000	1,097	3,903
Municipal building	279,951	287,951	304,482	(16,531)
Other buildings	6,647	6,647	6,947	(300)
Information Technology	178,397	178,397	173,741	4,656
Property and liability insurance	525,000	469,000	451,430	17,570
Employee appreciation	3,000	3,000	1,280	1,720
Retiree health insurance	10,000	4,500	4,235	265
Employee assistance program	4,500	4,500	3,996	504
Employee Best Flex 125 Plan	5,000	5,000	3,590	1,410
Employee pay plan study/training	-	14,500	15,226	(726)
Unemployment compensation	15,000	-	750	(750)
Cable TV	170,637	170,637	169,846	791
Contingency	23,800	266,900	-	266,900
Total	2,625,184	2,874,279	2,541,060	333,219
Public Safety				
Police	4,818,703	4,807,803	4,731,008	76,795
Crossing guards	40,074	30,074	27,694	2,380
Dispatch center	718,060	730,860	726,741	4,119
Fire department	3,090,522	3,174,322	3,092,020	82,302
Building inspection	320,079	300,379	280,828	19,551
Emergency government	5,600	5,600	5,417	183
Total	8,993,038	9,049,038	8,863,708	185,330

City of Watertown

Section 3, Item A.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public Works				
Engineering	\$ 348,583	\$ 401,683	\$ 363,895	\$ 37,788
Planning	7,000	500	285	215
Machinery and equipment	482,535	401,035	341,216	59,819
Garages and sheds	124,606	130,606	120,022	10,584
Street administration	200,322	160,322	138,378	21,944
Service to other departments	101,469	101,469	88,920	12,549
Traffic control	25,500	25,500	21,424	4,076
Street maintenance	691,780	670,280	673,108	(2,828)
Snow and ice control	424,754	420,754	343,768	76,986
Signs and markings	71,616	107,016	102,571	4,445
Street lighting	480,000	470,000	444,500	25,500
Airport	206,638	206,914	214,843	(7,929)
Total	3,164,803	3,096,079	2,852,930	243,149
Health and Human Services				
Health care	572,745	552,745	539,906	12,839
Culture, Education and Recreation				
Library	781,913	781,913	823,708	(41,795)
Recreation administration	220,066	205,766	184,497	21,269
Recreation	112,208	107,208	116,852	(9,644)
Aquatic center	236,638	224,738	210,125	14,613
Indoor pool	168,478	120,478	95,552	24,926
Senior & community center	264,586	264,586	267,184	(2,598)
Parks	858,460	869,960	861,873	8,087
Park garage	19,800	19,800	23,243	(3,443)
Total	2,662,149	2,594,449	2,583,034	11,415
Conservation and Development				
Economic development	205,398	209,598	208,958	640
Public Service Enterprises				
Cemetery	50,000	50,000	50,000	-
Community Laundry Program	3,000	3,000	3,000	-
Watertown Family Center	5,000	5,000	5,000	-
Watertown Area Cares Clinic	5,000	5,000	5,000	-
Haus of Peace	3,000	3,000	3,000	-
Cornerstone of Grace	2,000	2,000	2,000	-
Historical Society	10,000	10,000	10,000	-
Total	78,000	78,000	78,000	-
Capital Outlay				
Fire prevention programs	-	-	3,579	(3,579)
Police department donations	-	-	27,706	(27,706)
Police canine unit	-	-	491	(491)
Police accreditation	-	-	1,800	(1,800)
Senior center fundraising	-	-	10,889	(10,889)
EMT training/Act 102	-	-	519	(519)
4th of July parade	-	-	13,224	(13,224)
Christmas parade	-	-	8,701	(8,701)
Health department grant	-	-	2,544	(2,544)
Fire department DNR grant	-	-	164	(164)
Land acquisition	-	-	225,285	(225,285)
Total	-	-	294,902	(294,902)

See notes to required supplementary information

City of Watertown

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

General Fund

Year Ended December 31, 2022

Section 3, Item A.

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Other Financing Uses				
Transfer out, transit	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Transfer out, economic development	10,000	10,000	-	10,000
Total	70,000	70,000	60,000	10,000
Total expenditures and other financing uses	18,371,317	18,524,188	18,022,498	501,690
Net change in fund balance	(204,872)	(321,743)	25,355	347,098
Fund Balance, Beginning	7,729,380	7,729,380	7,729,380	-
Fund Balance, Ending	<u>\$ 7,524,508</u>	<u>\$ 7,407,637</u>	<u>\$ 7,754,735</u>	<u>\$ 347,098</u>

City of Watertown

Section 3, Item A.

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System
Year Ended December 31, 2022

WRS Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/22	0.09047948 %	\$ (7,292,812)	\$ 11,272,573	64.70 %	106.02 %
12/31/21	0.08891180 %	(5,550,887)	10,683,302	51.96 %	105.26 %
12/31/20	0.08787110 %	(2,833,365)	10,276,267	25.57 %	102.96 %
12/31/19	0.08700906 %	3,098,409	10,068,591	30.77 %	96.45 %
12/31/18	0.08531319 %	(2,533,049)	9,898,702	25.59 %	102.93 %
12/31/17	0.08339948 %	687,411	9,764,018	7.04 %	99.12 %
12/31/16	0.08260644 %	1,342,339	9,542,681	14.07 %	98.20 %
12/31/15	0.08300487 %	(2,038,827)	9,184,102	22.20 %	102.74 %

Schedule of Employer Contributions - Wisconsin Retirement System
Year Ended December 31, 2022

City Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/22	\$ 1,117,043	\$ 1,117,043	\$ -	\$ 11,810,296	9.46 %
12/31/21	1,084,656	1,084,656	-	11,275,330	9.62 %
12/31/20	1,027,496	1,027,496	-	10,683,303	9.62 %
12/31/19	924,580	924,580	-	10,276,267	9.00 %
12/31/18	917,273	917,273	-	10,068,591	9.11 %
12/31/17	892,699	892,699	-	9,898,702	9.02 %
12/31/16	814,342	814,342	-	9,764,018	8.34 %
12/31/15	815,395	815,395	-	9,542,681	8.54 %

Budgetary Information

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

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

Appropriation lapse at year-end unless specifically carried over. Carryovers to the following year were \$45,420 in general fund. Budgets are adopted at the department level of expenditure.

Wisconsin Retirement System

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

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

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

Changes in assumptions. 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

SUPPLEMENTARY INFORMATION

Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds					
	Transit System Fund	CDBG Economic Fund	CDBG Housing Rehab Fund	Library Fund	Fiber Optic Fund	ARPA Fund
Assets						
Cash and investments	\$ -	\$ 84,039	\$ 131,720	\$ 492,037	\$ 102,077	\$ 2,019,265
Receivables, net:						
Taxes	-	-	-	-	-	-
Pledges	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Grants	132,268	-	-	-	-	-
Loans	-	58,894	663,151	-	-	-
Due from component units	-	8,915	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 132,268</u>	<u>\$ 151,848</u>	<u>\$ 794,871</u>	<u>\$ 492,037</u>	<u>\$ 102,077</u>	<u>\$ 2,019,265</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 44,709	\$ 528	\$ -	\$ 15,477	\$ 4,251	\$ 115,412
Accrued liabilities	-	3,911	-	-	-	-
Due to other funds	18,309	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	1,871,009
Total liabilities	<u>63,018</u>	<u>4,439</u>	<u>-</u>	<u>15,477</u>	<u>4,251</u>	<u>1,986,421</u>
Deferred Inflows of Resources						
Unearned revenues	-	-	-	-	-	-
Unavailable revenues	-	8,915	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>8,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Nonspendable:						
Prepaid items	-	-	-	-	-	-
Permanent trust	-	-	-	-	-	-
Restricted	69,250	138,494	794,871	476,560	-	32,844
Committed	-	-	-	-	97,826	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>69,250</u>	<u>138,494</u>	<u>794,871</u>	<u>476,560</u>	<u>97,826</u>	<u>32,844</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 132,268</u>	<u>\$ 151,848</u>	<u>\$ 794,871</u>	<u>\$ 492,037</u>	<u>\$ 102,077</u>	<u>\$ 2,019,265</u>

Special Revenue Funds

Riverfest Fund	Developer Parks Fund	Environmental Health Fund	Emergency Preparedness Fund	Seal-A-Smile Fund	Library Trust	Tourism Fund	Solid Waste Fund
\$ 44,897	\$ 155,938	\$ 604,802	\$ 68,480	\$ 39,636	\$ 625,467	\$ 29,558	\$ 626,351
-	-	-	-	-	-	-	60,390
-	-	-	-	-	73,833	-	-
-	-	-	-	-	-	-	136,142
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,491	-	-	-	-	9,908
<u>\$ 44,897</u>	<u>\$ 155,938</u>	<u>\$ 610,293</u>	<u>\$ 68,480</u>	<u>\$ 39,636</u>	<u>\$ 699,300</u>	<u>\$ 29,558</u>	<u>\$ 832,791</u>
\$ -	\$ -	\$ 1,056	\$ -	\$ 380	\$ 257,425	\$ 9,263	\$ 75,155
-	-	14,911	4,194	399	-	-	21,961
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	15,967	4,194	779	257,425	9,263	97,116
-	-	-	-	-	-	-	-
-	-	-	-	-	73,833	-	-
-	-	-	-	-	73,833	-	-
-	-	5,491	-	-	-	-	9,908
-	-	-	-	-	-	-	-
-	155,938	-	64,286	38,857	368,042	20,295	-
44,897	-	588,835	-	-	-	-	725,767
-	-	-	-	-	-	-	-
<u>44,897</u>	<u>155,938</u>	<u>594,326</u>	<u>64,286</u>	<u>38,857</u>	<u>368,042</u>	<u>20,295</u>	<u>735,675</u>
<u>\$ 44,897</u>	<u>\$ 155,938</u>	<u>\$ 610,293</u>	<u>\$ 68,480</u>	<u>\$ 39,636</u>	<u>\$ 699,300</u>	<u>\$ 29,558</u>	<u>\$ 832,791</u>

Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022

	Capital Projects Funds					Permanent Fund	Total Nonmajor Funds
	TID No. 4	TID No. 5	TID No. 6	TID No. 7	TID No. 8	Library Trust	
Assets							
Cash and investments	\$ 3,125,482	\$ 1,358,993	\$ 9,549	\$ 74,789	\$ -	\$ 18,200	\$ 9,611,280
Receivables, net:							
Taxes	856,770	730,181	69,548	91,626	-	-	1,808,515
Pledges	-	-	-	-	-	-	73,833
Accounts	-	-	-	-	-	-	136,142
Grants	-	-	-	-	-	-	132,268
Loans	-	-	-	-	-	-	722,045
Due from component units	-	-	-	-	-	-	8,915
Prepaid items	-	-	-	-	-	-	15,399
Total assets	\$ 3,982,252	\$ 2,089,174	\$ 79,097	\$ 166,415	\$ -	\$ 18,200	\$ 12,508,397
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 370	\$ 93	\$ -	\$ 2,633	\$ -	\$ -	\$ 526,752
Accrued liabilities	-	-	-	-	-	-	45,376
Due to other funds	-	-	-	-	-	-	18,309
Advances from other funds	-	-	-	-	24,383	-	24,383
Other liabilities	-	303,353	-	-	-	-	303,353
Unearned revenues	-	-	-	-	-	-	1,871,009
Total liabilities	370	303,446	-	2,633	24,383	-	2,789,182
Deferred Inflows of Resources							
Unearned revenues	856,770	730,181	69,548	91,626	-	-	1,748,125
Unavailable revenues	-	-	-	-	-	-	82,748
Total deferred inflows of resources	856,770	730,181	69,548	91,626	-	-	1,830,873
Fund Balances							
Nonspendable:							
Prepaid items	-	-	-	-	-	-	15,399
Permanent trust	-	-	-	-	-	18,200	18,200
Restricted	3,125,112	1,055,547	9,549	72,156	-	-	6,421,801
Committed	-	-	-	-	-	-	1,457,325
Unassigned (deficit)	-	-	-	-	(24,383)	-	(24,383)
Total fund balances	3,125,112	1,055,547	9,549	72,156	(24,383)	18,200	7,888,342
Total liabilities, deferred inflows of resources and fund balances	\$ 3,982,252	\$ 2,089,174	\$ 79,097	\$ 166,415	\$ -	\$ 18,200	\$ 12,508,397

City of Watertown

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

Nonmajor Governmental Funds

Year Ended December 31, 2022

Section 3, Item A.

	Special Revenue Funds					
	Transit System Fund	CDBG Economic Fund	CDBG Housing Rehab Fund	Library Fund	Fiber Optic Fund	ARPA Fund
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	516,604	77,681	-	265,109	-	586,505
Licenses and permits	-	-	-	-	-	-
Public charges for services	330,426	-	-	13,476	-	-
Investment income	-	1,605	797	-	-	32,497
Miscellaneous	-	-	-	47,914	-	-
Total revenues	847,030	79,286	797	326,499	-	619,002
Expenditures						
Current:						
Public works	809,593	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture, education, and recreation	-	-	-	270,320	-	-
Conservation and development	-	89,497	10,044	-	-	-
Capital outlay	-	-	-	-	6,284	586,505
Debt service:						
Principal	-	-	-	-	-	-
Interest, issuance costs and fiscal charges	-	-	-	-	-	-
Total expenditures	809,593	89,497	10,044	270,320	6,284	586,505
Excess (deficiency) of revenues over expenditures	37,437	(10,211)	(9,247)	56,179	(6,284)	32,497
Other Financing Sources						
Sale of assets	-	-	-	-	-	-
Transfers in	60,000	-	-	-	-	-
Total other financing sources	60,000	-	-	-	-	-
Net change in fund balance	97,437	(10,211)	(9,247)	56,179	(6,284)	32,497
Fund Balances (Deficit), Beginning	(28,187)	148,705	804,118	420,381	104,110	347
Fund Balances (Deficit), Ending	\$ 69,250	\$ 138,494	\$ 794,871	\$ 476,560	\$ 97,826	\$ 32,844

Special Revenue Funds

Riverfest Fund	Developer Parks Fund	Environmental Health Fund	Emergency Preparedness Fund	Seal-A-Smile Fund	Library Trust	Tourism Fund	Solid Waste Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,153	\$ -
5,000	-	95,214	146,659	16,918	-	-	106,322
-	12,000	1,218	-	-	-	-	-
-	-	343,769	-	-	-	-	1,532,494
643	2,486	10,763	-	-	8,337	-	9,558
445,705	-	-	-	-	92,476	-	-
451,348	14,486	450,964	146,659	16,918	100,813	106,153	1,648,374
-	-	-	-	-	-	-	1,315,442
-	-	434,883	116,782	12,294	-	-	-
487,795	-	-	-	-	7,124	104,030	-
-	-	-	-	-	-	-	-
-	14,561	-	-	-	1,126,620	-	282,117
-	-	-	-	-	-	-	65,000
-	-	-	-	-	-	-	9,575
487,795	14,561	434,883	116,782	12,294	1,133,744	104,030	1,672,134
(36,447)	(75)	16,081	29,877	4,624	(1,032,931)	2,123	(23,760)
-	-	-	-	-	-	-	3,913
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,913
(36,447)	(75)	16,081	29,877	4,624	(1,032,931)	2,123	(19,847)
81,344	156,013	578,245	34,409	34,233	1,400,973	18,172	755,522
\$ 44,897	\$ 155,938	\$ 594,326	\$ 64,286	\$ 38,857	\$ 368,042	\$ 20,295	\$ 735,675

City of Watertown

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

Nonmajor Governmental Funds

Year Ended December 31, 2022

Section 3, Item A.

	Capital Projects Funds					Permanent Fund	Total Nonmajor Funds
	TID No. 4	TID No. 5	TID No. 6	TID No. 7	TID No. 8	Library Trust	
Revenues							
Taxes	\$ 989,827	\$ 505,584	\$ 76,541	\$ 91,180	\$ -	\$ -	\$ 1,769,285
Intergovernmental	380	18,908	-	30,986	-	-	1,866,286
Licenses and permits	-	-	-	-	-	-	13,218
Public charges for services	-	-	-	-	-	-	2,220,165
Investment income	36,841	14,237	-	-	-	-	117,764
Miscellaneous	-	11,779	-	-	-	-	597,874
Total revenues	1,027,048	550,508	76,541	122,166	-	-	6,584,592
Expenditures							
Current:							
Public works	3,514	1,312	-	-	-	-	2,129,861
Health and human services	-	-	-	-	-	-	563,959
Culture, education, and recreation	-	-	-	-	-	-	869,269
Conservation and development	-	169,382	-	66,559	-	-	335,482
Capital outlay	86,584	-	150	-	251	-	2,103,072
Debt service:							
Principal	610,000	325,000	55,000	-	-	-	1,055,000
Interest, issuance costs and fiscal charges	48,263	58,386	13,875	-	-	-	130,099
Total expenditures	748,361	554,080	69,025	66,559	251	-	7,186,742
Excess (deficiency) of revenues over expenditures	278,687	(3,572)	7,516	55,607	(251)	-	(602,150)
Other Financing Sources							
Sale of assets	-	-	-	-	-	-	3,913
Transfers in	-	-	-	-	-	-	60,000
Total other financing sources	-	-	-	-	-	-	63,913
Net change in fund balance	278,687	(3,572)	7,516	55,607	(251)	-	(538,237)
Fund Balances (Deficit), Beginning	2,846,425	1,059,119	2,033	16,549	(24,132)	18,200	8,426,579
Fund Balances (Deficit), Ending	\$ 3,125,112	\$ 1,055,547	\$ 9,549	\$ 72,156	\$ (24,383)	\$ 18,200	\$ 7,888,342

RESOLUTION
AUTHORIZING THE CITY OF WATERTOWN TO APPLY FOR THE WISCONSIN
DEPARTMENT OF NATURAL RESOURCES 2024 URBAN FORESTRY GRANT

SPONSOR: MAYOR MCFARLAND
FROM: FINANCE COMMITTEE

WHEREAS, the City of Watertown is interested in applying for a cost-share grant from Wisconsin Department of Natural Resources for the purpose of funding urban and community forestry projects specified in s. 23.097(1g) and (1r), Wis. Stats.; and

WHEREAS, there exists an available grant award up to \$25,000 (Twenty-five Thousand Dollars) to support the foregoing objectives related to community tree management through tree plantings, private tree giveaway, ash tree injections, update tree inventory and create an urban forestry management plan within the City of Watertown in the year 2024; and

WHEREAS, grant funds will be designated to revenue account 01-42-73-75 and the City will commit to provide grant-applicable matching funds GRANT EXP: TREES & ASH INJECT from expense account 01-56-11-19, wherein 50% (fifty percent) can be obtained in-kind for and under said project as required by the Wisconsin DNR Urban Forestry grant application; and

WHEREAS, the applicant attests to the validity and veracity of the statements and representations contained in the grant application; and

WHEREAS, the applicant requests a grant agreement to carry out the project;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF WATERTOWN, WISCONSIN, the City of Watertown will comply with all local, state, and federal rules, regulations and ordinances relating to this project and the cost-share agreement;

BE IT FURTHER RESOLVED, the City of Watertown will budget a sum sufficient to fully and satisfactorily complete the project and hereby authorizes and empowers the Director of Parks, Recreation, and Forestry, its official or employee, to act on its behalf to:

1. Sign and submit the grant application
2. Sign a grant agreement between applicant and the DNR
3. Submit interim and/or final reports to the DNR to satisfy the grant agreement
4. Submit grant reimbursement request to the DNR
5. Sign and submit other required documentation

	YES	NO
DAVIS		
LAMPE		
BOARD		

ADOPTED Type meeting date

BARTZ		
BLANKE		
SMITH		
SCHMID		
WETZEL		
MOLDENHAUER		
MAYOR MCFARLAND		
TOTAL		

CITY CLERK

APPROVED Type meeting date

MAYOR

MEMORANDUM OF UNDERSTANDING FOR USE AND COST SHARING BETWEEN THE CITY OF WATERTOWN AND WATERTOWN PUBLIC LIBRARY

This Memorandum of Understanding ("MOU") is made and entered into between the City of Watertown (the "City"), and the Watertown Public Library (the "Library").

1. Premises. This MOU covers the library building and grounds located at 100 South Water Street, Watertown, WI (the "Premises"). Within the library building is located the Community Room, restrooms, Conference Rooms _____, as depicted on the attached Exhibit A.

2. Rent. There shall be no rent paid to the City for use of the Premises nor shall the City of Watertown or any of its affiliated entities described in Section 7 below pay any rent or reservation fee for use of any Watertown Public Library room.

3. Term. This MOU is effective upon the date last signed by the duly authorized representatives of the parties to this MOU. This MOU may be terminated by either party upon sixty (60) day written notice, which notice shall be delivered by hand or by certified mail to the address listed below.

4. Utility Expenses. The Library shall pay all utility expenses including but not limited to electric, cable, telephone, gas, water, Internet, sewer, and stormwater utility bills for the Premises.

5. Repairs, Cleaning and Maintenance. The Library shall be responsible for budgeting and coordinating routine cleaning, arranging repair and maintenance of the Premises, and for keeping the Premises in acceptable condition. The Library shall be responsible for all landscaping maintenance including mowing of library grounds and snow removal from parking lots and sidewalk. City building staff shall bill the Library for all hours provided for daytime cleaning, minor repairs and maintenance.

6. Other Operating Expenses. A portion of administration services and insurance expenses shall be billed back to the Library annually designated as an AMSO expense, as part of the City budget process. The Finance Director for the City will provide the AMSO expense cost to the Library Director on or before October 1, 2023.

7. Library Municipal Room Use. The City shall have priority use of the Rooms for meetings of the City Council, standing committees, non-standing committees, commissions and boards, special (statutory) boards and commissions, municipal court, ad hoc committee uses, or staff uses.

8. After Hours Use. The City may advertise the parking lot as available for public parking after normal Library business hours or on holidays the Library is closed.

9. Use of Bathrooms. The Library shall permit the public access to the bathrooms next to the Community Room during all events scheduled at the Town Square. The front door shall be unlocked to permit access. City staff shall be responsible for securing the exterior doors upon the conclusion of after hour events.

10. Reservation Priorities of Library Rooms. The Library reserves the right to close and cancel use of its meeting rooms because of emergency or major weather events. Conditions and limitations on room use by the City and other groups will otherwise follow the current Watertown 10 2 Public Library Meeting

Room Policy except as otherwise stated in this MOU. If more than one group wants to reserve the Municipal Room, priority will be given as follows, in order:

- a. City-sponsored meetings and events, including Municipal Court, that require live broadcasting and/or video recording.
- b. Library-sponsored meetings and events.
- c. City-sponsored meetings and events that do not require live broadcasting and/or video recording.
- d. Friends of the Library meetings and events.
- e. Community groups for informational, educational, charitable, and cultural meetings and programs.
- f. Other governmental meetings and events (i.e. Watertown School District, state agencies such as Wisconsin Department of Transportation).
- g. All other groups.

11. Hours of Operation for City Uses. A Library or City committee, council, or commission meeting may take place after library closing hours. During such meetings, doors must remain open to the public. The Library shall be notified in advance so as to allow coordination of library gate and locking library doors with City staff. City staff shall be responsible for securing the exterior doors upon the conclusion of after hour meetings. All other users must conclude activities 15 (fifteen) minutes before the Library's scheduled closing.

12. Building and Premises Alterations, Additions and Improvements. The Library shall make no alterations, additions or improvements to the Premises without prior written consent of the City. The Library may make minor cosmetic improvements such as painting and furniture, subject to budget approval. Major capital improvements must be requested through and approved by the City's and Library Board's budget processes before proceeding.

13. Annual Funding. The City shall provide all required funding under Wis. Stat. Sec. 43.64 in each calendar year. The City will notify the Library of the exact amount of such funding on or before September 15 of the year before budgeted calendar year. Any and all funds the City budgets for the library in excess of the required funding under Wis. Stat. Sec. 43.64 shall be designated as Additional Funding. Provision of the Additional Funding to the Library is conditioned on the Library agreeing to and complying with the terms of this Agreement, specifically Sections 8, 9, 10, 14, 15 and 16 of this Agreement. Failure to follow any of the referenced provisions will result in a forfeiture of all Additional Funding under this paragraph. The remaining terms of this Agreement will remain in full force and effect.

14. Hiring. The Library shall follow all City HR Policies as may be amended from time to time, in regard to posting, screening, interviewing, and onboarding all library employees.

15. Employee Policies. The Library shall follow and enforce all policies located in the City's Employee Handbook as may be amended from time to time.

16. Budget Submission. The Library shall follow the budget process provided by the City and detailed by the City’s Finance Director, including submission of budget estimates and final budget.

17. Annual Review. The Mayor shall prepare and file an annual report with the Library Board regarding the Library’s interactions and cooperations with the City and its policies.

18. Notices. Any notice required hereunder shall be given in writing signed by the party giving notice, personally delivered or mailed by certified mail, to the parties’ respective addresses as follows:

To the City:

City of Watertown
106 Jones Street
PO Box 477
Watertown, WI 53094
Attention:

To the Library:

Adopted as of the last date of signature below.

CITY OF WATERTOWN

WATERTOWN PUBLIC LIBRARY

BY: Emily McFarland, Mayor

BY:

Dated: _____

Dated:

AGREEMENT TRANSFERRING OWNERSHIP OF PROPERTY

THIS AGREEMENT (the “Agreement”) is made effective as of August __, 2023 (the “Effective Date”), by and among the CITY OF WATERTOWN, a Wisconsin municipal corporation (the “City”) and RENEE STERWALT f/k/a ZSA ZSA STERWALT (“Sterwalt”).

RECITALS

- A. Sterwalt is the owner of the real property commonly known as 100 Western Avenue, City of Watertown, in Jefferson County, Wisconsin (the “Property”). In September 2019, Sterwalt rented the Property to Shannon Arenz.
- B. In 2020, following the start of the Covid-19 pandemic, Arenze stopped making payments under the lease for the Property. As a result, Sterwalt fell into arrears on the mortgage on the Property, the insurance policy for the Property and real property taxes, and the payment for water and sewer service provided by the City to the Property.
- C. On April 6, 2022, as a result on the default on the payment of the mortgage loan on the Property, Specialized Loan Servicing LLC, commenced an action in Jefferson County Circuit Court, Case No. 2022CV98, to foreclose its mortgage. On December 8, 2022, the Circuit Court granted a judgment of foreclosure to Specialized Loan Servicing.
- D. On or about December 9, 2022, the Property was largely destroyed by a fire. As a result of the fire, the City’s Building Inspector determined that the principal structure located on the above-described premises is so dilapidated, damaged and out of repair as to be dangerous, unsafe, unsanitary or otherwise unfit for human habitation, occupancy or use.
- E. On March 22, 2023, the City issued a Raze Order for the Property based on its finding that the cost of the necessary repairs for the Property would exceed fifty percent of the current (pre-fire) full assessed value of the Property. The Raze Order was recorded with the Jefferson County Register of Deeds on April 3, 2023, as Document No. 1472676.
- F. Sterwalt is indebted to City for real property taxes, assessments and water and sewer charges relating to the Property, some of which are secured by liens on the Property.
- G. On June 13, 2023, the Circuit Court vacated the judgment of foreclosure relating to the Property based on the parties’ recognition that the Property will have nominal if any value after taking account of the debts relating to the Property, including the expense of razing the Property.
- H. Sterwalt has resided in Alaska since 2019. She does not have the financial means to repair the property or pay the taxes, water and sewer charges and other debts relating to the Property.
- I. Sterwalt and the City wish to avoid the time and expense of litigation and special assessment actions. Sterwalt recognizes that she could require the City to pursue its rights to seek a tax foreclosure, and that by proceeding according to this Agreement,

Sterwalt will be foregoing the right to retain title to the Property by razing the structure and paying the delinquent taxes and assessments relating to the Property.

- J. Sterwalt acknowledges and agrees that no further default is required as a prerequisite to the City's exercise of its discretion if it desires to assess the costs of razing the structure, and that the terms and conditions of this Agreement are applicable to the Property.

AGREEMENT

NOW, WHEREFORE, for valuable consideration the receipt of which is acknowledged, Sterwalt and the City agree as follows:

1. **Delivery of Documents.** Sterwalt shall execute or cause to be executed, as necessary, and deliver to the City a Warranty Deed from Sterwalt, in the form attached as Exhibit A ("**Deed**") as of the date this agreement is signed.
2. **Release from Enforcement of Tax Liability and Special Assessments.** Upon, and only upon, the City's receipt of the Deed and a pro forma of the final owner's policy from Knight Barry Title Advantage LLC (including a gap indemnity through the date of the Deed) with regard to the Property, subject only to the Raze Order and liens securing taxes, assessment, water and sewer charges owed to the City, and any other liens or encumbrances which may be due to the City, then and only then the City will (a) release Sterwalt from liability for the debts owed to the City by Sterwalt. The debts owed to the City will still exist but will be nonrecourse except against the Property.
3. **No Merger of Title and Liens.** The City's interest in the Property after the City's acquisition of title to the Property shall not merge with the interests of the City (specifically, the City's liens on the Property). It is the express intention of each of the parties that such lien interests of the City in the Property shall not merge but be and remain at all times separate and distinct, notwithstanding the acquisition of title by the City. The liens on the Property shall be and remain at all times valid and continuous liens on the Property until and unless released by the City.
4. **Entire Agreement.** This Agreement, including the attached Exhibit, and the documents referred to in this Agreement or executed either concurrently with or pursuant to this Agreement, constitute the entire agreement for the deed in lieu of foreclosure transaction between the parties, and there are no other agreements, understandings, restrictions or warranties or representations among the parties on that subject.
5. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin.
6. **Amendment or Waiver.** Neither this Agreement nor any of the provisions hereof may be changed, waived, discharged or terminated, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.
7. **Voluntary Action.** Sterwalt acknowledges that she has consulted with counsel of her choice. Sterwalt is entering into this Agreement knowingly and voluntarily. Sterwalt recognizes that she could require the City to pursue its legal remedies but has decided nonetheless to proceed with this Agreement.

8. **Counterparts.** This Agreement may be executed in any number of counterparts. Each counterpart, when executed and delivered, will be an original, but all counterparts, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf as of the date set forth above.

CITY OF WATERTOWN, WISCONSIN

By: _____
Name: _____
Title: _____

RENEE STERWALT
f/k/a ZSA ZSA STERWALT

By: _____
Renee Sterwalt

EXHIBIT A
WARRANTY DEED

(ATTACHED)

WARRANTY DEED

Document Number

Document Name

This Deed, made between, RENEE STERWALT f/k/a Zsa Zsa Sterwalt, a widow not remarried ("Grantor"), and CITY OF WATERTOWN, WISCONSIN ("Grantee"),

WITNESSETH, That the said Grantor, for a valuable consideration conveys to Grantee the following described real estate, together with rents, profits, fixtures and other appurtenant interests, in Jefferson County, State of Wisconsin:

The South fifty-two and one-half feet of lot four, block thirty-eight of Cole, Bailey & Co. plat, the same being the original plat of the East side of the City of Watertown.

THIS SPACE RESERVED FOR RECORDING DATA

Name and Return Address

Steven T. Chesebro, City Attorney
City of Watertown
PO Box 477
Watertown, WI 53094

28-291-0815-0424-088

Parcel Identification Number (PIN)

This is not homestead property.
(is) (is not)

Grantor warrants that the title is good, indefeasible in fee simple and free and clear of encumbrances except municipal and zoning ordinances and agreements entered under them, recorded easements for the distribution of utility and municipal services, recorded building and use restrictions and covenants, general taxes, assessments and debts owed to the City of Watertown, Wisconsin.

Dated this ___ day of August, 2023.

*Renee Sterwalt f/k/a Zsa Zsa Sterwalt (SEAL)

* (SEAL)

AUTHENTICATION

Signature of _____

authenticated this ___ day of _____, _____.

*

TITLE: MEMBER STATE BAR OF WISCONSIN
(If not, _____ authorized by § 706.06, Wis. Stats.)

THIS INSTRUMENT WAS DRAFTED BY:

Christopher J. Stroebel, Esq.
STROEBEL LAW, LLC
30 W. Mifflin Street, Suite 1001
Madison WI 53703
(608) 441-8100

ACKNOWLEDGMENT

STATE OF ALASKA,)
) ss.
THIRD JUDICIAL DISTRICT)

Personally came before me this day, August __, 2023, the above named Renee Sterwalt, to me known to be the persons who executed the foregoing instrument and acknowledge the same.

Notary Public, State of Wisconsin

My commission (is permanent) (expires: _____)

WARRANTY DEED

Document Number

Document Name

This Deed, made between, RENEE STERWALT f/k/a Zsa Zsa Sterwalt, a widow not remarried ("Grantor"), and CITY OF WATERTOWN, WISCONSIN ("Grantee"),

WITNESSETH, That the said Grantor, for a valuable consideration conveys to Grantee the following described real estate, together with rents, profits, fixtures and other appurtenant interests, in Jefferson County, State of Wisconsin:

The South fifty-two and one-half feet of lot four, block thirty-eight of Cole, Bailey & Co. plat, the same being the original plat of the East side of the City of Watertown.

THIS SPACE RESERVED FOR RECORDING DATA

Name and Return Address

Steven T. Chesebro, City Attorney
City of Watertown
PO Box 477
Watertown, WI 53094

28-291-0815-0424-088

Parcel Identification Number (PIN)

This is not homestead property.
(is) (is not)

Grantor warrants that the title is good, indefeasible in fee simple and free and clear of encumbrances except municipal and zoning ordinances and agreements entered under them, recorded easements for the distribution of utility and municipal services, recorded building and use restrictions and covenants, general taxes, assessments and debts owed to the City of Watertown, Wisconsin.

Dated this ____ day of August, 2023.

____ (SEAL)
*Renee Sterwalt f/k/a Zsa Zsa Sterwalt

____ (SEAL)
*

AUTHENTICATION

Signature of _____

authenticated this ____ day of _____, _____.

* _____

TITLE: MEMBER STATE BAR OF WISCONSIN
(If not, _____ authorized by § 706.06, Wis. Stats.)

THIS INSTRUMENT WAS DRAFTED BY:

Christopher J. Stroebel, Esq.
STROEBEL LAW, LLC
30 W. Mifflin Street, Suite 1001
Madison WI 53703
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ACKNOWLEDGMENT

STATE OF ALASKA,)
) ss.
THIRD JUDICIAL DISTRICT)

Personally came before me this day, August __, 2023, the above named Renee Sterwalt, to me known to be the persons who executed the foregoing instrument and acknowledge the same.

* _____

Notary Public, State of Wisconsin

My commission (is permanent) (expires: _____)

Intergovernmental Agreement for
Addressing Safety Concerns at 100 Western Avenue, Watertown, WI, PIN
291-0815-0424-088

This Intergovernmental Agreement for Addressing Safety Concerns at PIN 291-0815-0424-088 is made as of September ____, 2023, (the “Effective Date”) by and between the County of Jefferson, Wisconsin (hereafter “Jefferson”) and the City of Watertown, Wisconsin (hereafter “Watertown”), collectively, “Parties”, for the razing of a structure on PIN 291-0815-0424-088.

WHEREAS, a fire on December 8, 2022 damaged the structure located on PIN 291-0815-0424-088 with property address of 100 Western Ave., Watertown, WI (hereinafter the “Property”); and,

WHEREAS, due to the structural damage and risk of the structure collapsing Watertown has issued a Raze Order, but the property owner is financially unable to raze the structure and has offered to transfer ownership of the property to the City of Watertown subject to all outstanding assessments, tax obligations or debts due to Watertown and Jefferson County; and,

WHEREAS, the structure on the property sits within the designated vision triangle of an intersection at S. First St. and Western Ave. obstructing the view of people approaching the intersection; and,

WHEREAS, Parties desire to enter into this Agreement to set forth their respective obligations, understandings, roles and responsibilities with regards to addressing the safety concerns on the Property.

NOW, THEREFORE, in consideration for good and valuable consideration the sufficiency of which is hereby acknowledged the Parties hereto agree as follows:

1. Authority.

1.1. Statutory Authority. Wisconsin Statutes § 66.0313 provides that any Wisconsin Municipality or County agency may contract with a requesting Wisconsin Municipality or County for the receipt or furnishing of services or the joint exercise of any power or duty required or authorized by law.

1.2. Authority to Execute. Each Party represents that it, and the person(s) signing on its behalf, possesses the legal authority, pursuant to appropriate statute,

ordinance, resolution, or other official action of the Party's governing body or code, to enter into this Agreement and to bind the Party validly and legally to all terms herein.

2. Term.

2.1. Term. The Term of this Agreement shall commence on the effective date noted above and shall end upon the latter of the Property being razed and returned to a vacant lot or Watertown receiving funds due under the agreement from Jefferson.

3. Payments of Delinquent Taxes.

3.1 Payment Outstanding Taxes. Watertown shall pay to the Jefferson County Treasurer the outstanding tax obligation associated with the Property no later than December 31, 2023 in the amount of \$2,596.86 within 30 days of ownership of the property transferring to Watertown as payment in full for all outstanding tax obligations associated with the Property as of the date of the payment. If payment is made prior to December 1, 2023, this amount is subject to adjustment by the Jefferson County Treasurer.

3.2 Payment of 2023 Tax Obligations. Watertown shall pay to the Jefferson County Treasurer the tax obligations associated with the property for the 2023 tax year in the amount billed for the property which is estimated to be \$381.41 on or before January 30, 2024. If the actual amount payable for the 2023 tax year is different than stated in this paragraph, payment will be adjusted accordingly.

4. Payments to Watertown.

4.1. Payment upon Ownership. Jefferson shall pay to Watertown \$2,596.86, as adjusted, within 30 days of payment required under paragraph 3.1 above to assist with the costs of addressing safety issues at the Property.

4.2. Payment upon Razing. Jefferson shall pay to Watertown \$381.41, as adjusted, within 30 days of payment required under paragraph 3.2 above.

5. Watertown's Obligations for Parcel

5.1. Take Ownership of Parcel: Watertown shall accept ownership of the parcel within 60 days of this agreement.

5.2. Razing Structure. Watertown shall arrange to have the structure razed and returned to a vacant lot within 90 days of taking ownership of the parcel.

5.3. Vision Triangle. Watertown will take steps to redesign and address any concerns with the intersection at S. First St. and Western Ave. in the City of Watertown.

8. Records.

8.1. Parties to Comply. The Parties shall comply with all applicable local, state, and federal laws and requirements pertaining to razing a structure.

8.2. Wisconsin Public Records Law. Both Parties understand that the Parties are bound by the Wisconsin Public Records Law, and as such, all of the terms of this Agreement are subject to and conditioned on the provisions of Wis. Stat. Sec. 19.21 *et. seq.*

9. **Governing Law.** This Agreement, and all questions arising in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Wisconsin. Venue for any action arising out of or in any way related to this Agreement shall be exclusively in Jefferson County for matters arising under state law and in federal district court in the Western District of Wisconsin for matters arising under federal jurisdiction.

10. **Notices.** All notices required under this Agreement shall be provided to:

To City of Watertown: Watertown Public Works Department
c/o Jaynellen Holloway
106 Jones Street
Watertown, WI 53094
rkaminski@watertownwi.gov

With courtesy copy which shall not constitute notice to:

City Attorney Steven T. Chesebro
106 Jones Street
Watertown, WI 53094
schesebro@watertownwi.gov

To County of Jefferson: County Administrator Benjamin Wehmeier
311 S. Center Ave.
Jefferson, WI 53549
benjaminw@jeffersoncountywi.gov

11. **Additional Provisions.**

11.1. Further Assurances. The Parties shall perform such acts, execute and deliver such instruments and documents, and do all such other things as may be reasonably necessary to accomplish the terms of this Agreement.

11.2. No Waiver. Any failure of a Party to assert any right under this Agreement, including but not limited to acceptance of partial performance or continued performances after a breach, shall not constitute a waiver or a termination of that right, this Agreement, or any of this Agreement's provisions.

11.3. Subcontracting. Neither Party shall subcontract for any of the work contemplated under this Agreement without obtaining the prior written approval of the other Party.

11.4. No Third-Party Beneficiary. No provision in this Agreement is intended to create or shall create any rights with respect to the subject matter of this Agreement in any third party, including but not limited to members of the general public.

11.5. Headings. The captions and headings of paragraphs and sections in this Agreement are for convenience of reference only and shall not be construed as defining or limiting the terms and provisions in this Agreement.

11.6. Severability. If any provision of this Agreement shall be held invalid or unenforceable by a court of competent jurisdiction in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

11.7. Survival. The terms of this Agreement and any exhibits and attachments that by reasonable implications contemplate continued performance, rights, or compliance beyond expiration or termination of the Agreement survive the Agreement and will continue to be enforceable.

11.8. Counterparts. This Agreement may be executed in multiple parts. Signatures to this Agreement transmitted by facsimile or by electronic mail shall be valid and effective to bind the Party so signing.

11.9. Nondiscrimination. It is Watertown's policy not to discriminate against any qualified employee or qualified applicant for employment because of an individual's sex, race, religion, color, national origin or ancestry, age, disability, lawful source of income, marital status, sexual orientation, gender identity or expression, victimhood of domestic abuse or sexual assault, past or present membership in the military service, HIV status, domestic partnership, genetic identity, homelessness, familial status, or an individual's affiliation or perceived affiliation with any of these categories, pursuant to the City of Watertown Employee Handbook of Policies and Procedures. The Parties will comply with all requirements imposed by or pursuant to the regulations of the appropriate federal agency effectuating Title VI of the Civil Rights Act of 1964. The Parties agree to comply with all applicable requirements of the Americans with Disabilities Act of 1990, 42 U.S.C. 12101, *et seq.*

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

The Parties have executed this Agreement as on the dates set forth below.

COUNTY OF JEFFERSON

BY: _____
Benjamin Wehmeier, Jefferson County Administrator

Dated this _____ day of _____, 2023

Approved as to Form and Execution:

J. Blair Ward, Jefferson County Corporation Counsel

Dated this _____ day of _____, 2023

CITY OF WATERTOWN

BY: _____
Emily McFarland, Mayor

Dated this _____ day of _____, 20__

Approved as to Form and Execution:

Steven T. Chesebro, City Attorney

Dated this _____ day of _____, 20__

City of Watertown
Income Statement - August 2023

Section 3, Item E.

58.3%

Run Date: 230906

	Prior Year 2 Actual	Prior Year Actual	Curr Yr To-Date	Curr Yr Budget	Remain Balance	% Rev/Exp
Revenues						
Taxes	10,890,759	11,105,967	10,463,091	11,636,160	1,173,070	89.9%
Intergovt Shared Taxes	3,222,923	3,261,639	1,069,556	3,300,976	2,231,420	32.4%
Intergovt State Grants	1,545,587	1,298,364	857,786	1,174,725	316,939	73.0%
Licenses	68,523	67,240	60,595	68,775	8,180	88.1%
Permits	192,100	197,777	168,759	206,125	37,366	81.9%
Law & Order Violations	175,295	181,477	176,631	200,000	23,369	88.3%
Gen Govt Public Charges for Services	338,644	355,108	170,918	314,850	143,932	54.3%
Public Safety	764,059	833,120	523,650	829,100	305,451	63.2%
Health & Social Services	5,679	9,729	10,679	5,500	(5,179)	194.2%
Public Works	34,576	43,759	48,303	38,250	(10,053)	126.3%
Recreation	342,830	346,086	301,323	367,300	65,977	82.0%
Intergovt Township Fire Protection	283,177	287,287	229,285	283,537	54,252	80.9%
Interest	(11,749)	(151,064)	396,438	100,000	(296,438)	396.4%
Reserve Acct Revenue	134,111	159,460	-	0	0	0.0%
Miscellaneous	38,671	26,264	160,001	26,000	(134,001)	615.4%
Rent	26,943	25,640	12,925	24,340	11,415	53.1%
Total Revenues	18,052,128	18,047,854	14,649,940	18,575,638	3,925,698	78.9%
Expenditures						
Common Council	98,864	94,685	75,450	107,781	32,332	70.0%
Commissions & Committees	250	200	-	300	300	0.0%
Municipal Court	105,498	110,048	73,467	112,928	39,462	65.1%
Mayor	173,004	170,125	177,412	271,356	93,944	65.4%
Finance Department	451,937	448,127	323,696	519,779	196,083	62.3%
Elections	31,362	50,655	24,896	33,500	8,604	74.3%
Assessor	75,412	145,749	137,645	146,450	8,806	94.0%
Accounting & Auditing	67,452	61,656	40,831	80,000	39,169	51.0%
Human Resources	85,600	83,459	57,240	93,855	36,616	61.0%
City Attorney	210,056	239,728	176,077	222,339	46,263	79.2%
Special Legal Fees	19,628	1,097	-	2,000	2,000	0.0%
Municipal Building	282,389	304,482	221,305	300,966	79,662	73.5%
Other Buildings	6,647	6,947	3,272	6,400	3,129	51.1%
Miscellaneous	(13,513)	750	1,749	65,000	63,252	2.7%
Media & Communications	140,544	169,844	110,429	190,010	79,581	58.1%
Information Technology	165,724	173,744	160,990	226,574	65,584	71.1%
Property & Liability Insurance	487,828	451,430	258,196	534,255	276,059	48.3%
Employee Programs	18,627	24,093	18,968	23,328	4,360	81.3%
Other Insurance	21,275	4,235	2,918	3,000	82	97.3%
Other General Govt	8,341	-	2,235	0	(2,235)	
General Government	2,436,924	2,541,053	1,866,773	2,939,821	1,073,048	63.5%
		% of Total Exp	15.4%	15.2%		

	Prior Year 2 Actual	Prior Year Actual	Curr Yr To-Date	Curr Yr Budget	Rem Balance	Rev/Exp
Police	4,517,889	4,731,008	3,152,781	4,924,950	1,772,169	64.0%
Crossing Guards	30,797	27,695	16,093	40,074	23,981	40.2%
Dispatch Center	680,039	726,739	470,689	758,434	287,745	62.1%
Fire	3,037,049	3,066,250	1,998,665	3,362,104	1,363,439	59.4%
Building Inspection	290,411	280,826	252,204	365,073	112,869	69.1%
Emergency Govt	5,344	5,417	7,699	5,100	(2,599)	151.0%
Public Safety	8,561,530	8,837,936	5,898,131	9,455,735	3,557,604	62.4%
		% of Total Exp	48.5%	48.8%		
Health	453,808	459,524	307,328	504,159	196,831	61.0%
Environmental Health Division	820	19,382	-	0	0	0.0%
Other Services	61,000	61,000	47,123	62,830	15,708	75.0%
Health	515,628	539,906	354,450	566,989	212,539	62.5%
		% of Total Exp	2.9%	2.9%		
City Planner	2,492	285	5,006	10,400	5,394	48.1%
Engineering	350,272	363,895	200,292	288,209	87,918	69.5%
Machinery & Equipment	416,684	341,218	211,991	375,515	163,524	56.5%
Street Garages	92,589	120,020	45,527	69,500	23,973	65.5%
Street Administration	147,231	138,375	80,292	216,452	136,161	37.1%
Service to Other Departments	63,498	88,919	-	0	0	0.0%
Traffic Control	31,346	21,424	14,985	23,600	8,615	63.5%
Street Maintenance	763,794	673,108	746,115	1,265,040	518,925	59.0%
Snow & Ice Control	390,497	343,767	254,858	270,540	15,682	94.2%
Signs & Markings	92,093	102,571	11,139	19,200	8,061	58.0%
Street Lighting	506,416	444,500	343,222	412,000	68,778	83.3%
Airport	216,981	214,840	145,462	215,748	70,287	67.4%
Public Works	3,073,892	2,852,921	2,058,888	3,166,204	1,107,316	65.0%
		% of Total Exp	16.9%	16.3%		
Library	704,259	823,709	532,429	814,000	281,571	65.4%
Recreation Administration	216,644	184,495	314,926	574,030	259,104	54.9%
Recreation	96,871	116,853	102,350	115,796	13,446	88.4%
Outdoor Pool	199,791	210,126	180,920	272,379	91,459	66.4%
Indoor Pool	120,440	95,553	29,977	144,447	114,470	20.8%
Senior Center	244,254	267,188	-	0	0	0.0%
Park	814,968	861,873	601,613	966,384	364,771	62.3%
Park Garage	21,827	23,244	-	0	0	0.0%
Library, Leisure, & Parks	2,419,053	2,583,040	1,762,216	2,887,036	1,124,819	61.0%
		% of Total Exp	14.5%	14.9%		
Forestry	204,469	208,959	148,951	219,560	70,610	67.8%
Public Service Enterprises	75,000	78,000	70,000	78,190	8,190	89.5%
Reserves	152,506	320,673	-	0	0	
Transfer	35,000	60,000	-	82,625	82,625	0.0%
Total Expenditures	17,474,002	18,022,489	12,159,408	19,396,160	7,236,751	62.7%
Net Income	578,126	25,366	2,490,532	(820,522)	(3,311,053)	