

CITY OF PORT WASHINGTON, WISCONSIN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



WEALTH ADVISORY | OUTSOURCING
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INDEPENDENT AUDITORS' REPORT

City Council
City of Port Washington
Port Washington, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Washington (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 4.D., the City recorded a prior period adjustment to increase deferred inflows of resources by \$149,321 which resulted in a decrease in fund balance in the governmental funds in the amount of \$149,321. In addition, the City recorded a prior period adjustment to decrease deferred inflows – unearned by \$1,885,414 for governmental activities, which resulted in an increase in net position for the governmental activities. In addition, the City also recorded a prior period adjustment to decrease net position of the proprietary funds and business-type activities by \$1,176,898 related to the refund of impact fees. The City also recorded a prior period adjustment effecting the CDA, a discretely presented component unit, to decrease capital assets and net position in the amount of \$309,544.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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


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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The general fund detailed comparison of budgeted and actual revenues, general fund detailed comparison of budgeted and actual expenditures, and the nonmajor combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, general fund detailed comparison of budgeted and actual revenues, general fund detailed comparison of budgeted and actual expenditures, and the nonmajor combining financial statements are 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 June 21, 2022 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
June 21, 2022

BASIC FINANCIAL STATEMENTS

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Totals	Component Units	
				CDA	BID
ASSETS					
Cash and Investments	\$ 11,447,043	\$ 7,876,413	\$ 19,323,456	\$ -	\$ 17,950
Receivables:					
Taxes and Special Charges	3,475,135	-	3,475,135	-	73,777
Delinquent Taxes	8,320	-	8,320	-	-
Accounts	1,409,716	1,033,009	2,442,725	-	-
Special Assessments	5,205	-	5,205	-	-
Loans	1,511,218	-	1,511,218	-	-
Internal Balances	(547,966)	547,966	-	-	-
Prepaid Items	16,733	26,181	42,914	-	-
Restricted and Other Assets:					
Cash and Investments	-	4,077,058	4,077,058	-	-
Net Pension Asset	2,113,233	424,529	2,537,762	-	-
Capital Assets, Nondepreciable	6,237,501	1,212,366	7,449,867	-	-
Capital Assets, Depreciable, Net	42,383,897	34,336,855	76,720,752	-	-
Total Assets	<u>68,060,035</u>	<u>49,534,377</u>	<u>117,594,412</u>	<u>-</u>	<u>91,727</u>
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Advance Refunding	-	910	910	-	-
Pension Related Amounts	3,521,444	707,974	4,229,418	-	-
Net Other Postemployment Benefit Related Amounts	390,758	88,733	479,491	-	-
Total Deferred Outflows of Resources	<u>3,912,202</u>	<u>797,617</u>	<u>4,709,819</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts Payable	560,698	77,851	638,549	-	-
Accrued and Other Current Liabilities	1,602,388	20,693	1,623,081	-	-
Due to Other Governments	74,057	-	74,057	-	-
Accrued Interest Payable	173,654	52,842	226,496	-	-
Unearned Revenues	792,297	-	792,297	-	-
Long-Term Obligations:					
Due Within One Year	3,240,854	664,871	3,905,725	-	-
Due in More than One Year	27,836,803	10,861,360	38,698,163	-	-
Net Other Postemployment Benefits Liability					
Due Within One Year	34,937	9,194	44,131	-	-
Due in More than One Year	1,210,863	287,370	1,498,233	-	-
Total Liabilities	<u>35,526,551</u>	<u>11,974,181</u>	<u>47,500,732</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Year	7,259,338	-	7,259,338	-	73,777
Pension Related Amounts	4,630,196	930,162	5,560,358	-	-
Other Postemployment Benefit Related Amounts	363,665	87,061	450,726	-	-
Total Deferred Inflows of Resources	<u>12,253,199</u>	<u>1,017,223</u>	<u>13,270,422</u>	<u>-</u>	<u>73,777</u>
NET POSITION					
Net Investment in Capital Assets	19,522,075	24,839,000	44,361,075	-	-
Restricted					
Loan Programs	823,383	-	823,383	-	-
Library	116,356	-	116,356	-	-
Tax Incremental District Development	459,862	-	459,862	-	-
Capital Projects	92,039	-	92,039	-	-
Debt Service	-	2,177,394	2,177,394	-	-
Equipment Replacement	-	1,261,822	1,261,822	-	-
Pension Benefits	2,113,233	424,529	2,537,762	-	-
Unrestricted	1,065,539	8,637,845	9,703,384	-	17,950
Total Net Position	<u>\$ 24,192,487</u>	<u>\$ 37,340,590</u>	<u>\$ 61,533,077</u>	<u>\$ -</u>	<u>\$ 17,950</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	Component Units	
								CDA	BID
Governmental Activities:									
General Government	\$ 1,764,075	\$ 271,157	\$ -	\$ -	\$ (1,492,918)	\$ -	\$ (1,492,918)	\$ -	\$ -
Public Safety	4,288,571	1,049,083	74,855	-	(3,164,633)	-	(3,164,633)	-	-
Public Works	5,576,910	214,749	835,762	857,724	(3,668,675)	-	(3,668,675)	-	-
Health and Human Services	7,053	-	-	-	(7,053)	-	(7,053)	-	-
Culture and Recreation	2,633,886	1,713,349	205,488	12,500	(702,549)	-	(702,549)	-	-
Conservation and Development	454,601	12,840	16,055	-	(425,706)	-	(425,706)	-	-
Interest and Fiscal Charges	614,145	-	-	-	(614,145)	-	(614,145)	-	-
Total Governmental Activities	15,339,241	3,261,178	1,132,160	870,224	(10,075,679)	-	(10,075,679)	-	-
Business-Type Activities:									
Water Utility	2,405,061	3,129,676	-	226,855	-	951,470	951,470	-	-
Wastewater Utility	2,291,591	2,589,772	-	290,868	-	589,049	589,049	-	-
Total Business-Type Activities	4,696,652	5,719,448	-	517,723	-	1,540,519	1,540,519	-	-
Total	<u>\$ 20,035,893</u>	<u>\$ 8,980,626</u>	<u>\$ 1,132,160</u>	<u>\$ 1,387,947</u>	<u>(10,075,679)</u>	<u>1,540,519</u>	<u>(8,535,160)</u>	<u>-</u>	<u>-</u>
Component Units									
CDA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
BID	72,792	-	-	-	-	-	-	-	(72,792)
GENERAL REVENUES									
Taxes:									
Property Taxes					6,163,466	-	6,163,466	-	-
Tax Increments					346,389	-	346,389	-	-
Other Taxes					302,886	-	302,886	-	-
Federal and State Grants and Other Contributions									
not Restricted to Specific Functions					2,721,968	-	2,721,968	-	-
Interest and Investment Earnings					44,449	103,098	147,547	-	48
Miscellaneous					698,320	4,403	702,723	-	75,317
TRANSFERS					442,006	(442,006)	-	-	-
Total General Revenues and Transfers					10,719,484	(334,505)	10,384,979	-	75,365
CHANGE IN NET POSITION					643,805	1,206,014	1,849,819	-	2,573
Net Position - January 1, as originally reported					21,663,268	37,311,474	58,974,742	309,544	15,377
Prior period adjustment					1,885,414	(1,176,898)	708,516	(309,544)	-
Net Position - January 1, As Restated					23,548,682	36,134,576	59,683,258	-	15,377
NET POSITION - DECEMBER 31					<u>\$ 24,192,487</u>	<u>\$ 37,340,590</u>	<u>\$ 61,533,077</u>	<u>\$ -</u>	<u>\$ 17,950</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	2021 Capital Borrowing	Breakwater Project	Other Governmental Funds	Totals
ASSETS						
Cash and Investments	\$ 7,410,264	\$ -	\$ 1,168,627	\$ -	\$ 2,868,152	\$ 11,447,043
Receivables:						
Taxes and Special Charges	3,251,399	-	-	-	223,736	3,475,135
Delinquent Taxes	8,320	-	-	-	-	8,320
Accounts	579,466	-	-	550,000	280,250	1,409,716
Special Assessments	5,205	-	-	-	-	5,205
Loans	1,118,937	-	-	-	392,281	1,511,218
Due from Other Funds	576,962	-	-	-	92,933	669,895
Prepaid Items	16,733	-	-	-	-	16,733
	<u>\$ 12,967,286</u>	<u>\$ -</u>	<u>\$ 1,168,627</u>	<u>\$ 550,000</u>	<u>\$ 3,857,352</u>	<u>\$ 18,543,265</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 206,847	\$ 4,500	\$ 283,406	\$ -	\$ 65,945	\$ 560,698
Accrued and Other Current Liabilities	1,600,827	-	-	-	1,561	1,602,388
Due to Other Funds	83,231	167,667	-	407,871	94,357	753,126
Advance from Other Funds	-	-	-	464,735	-	464,735
Due to Other Governments	74,057	-	-	-	-	74,057
Unearned Revenues	18,747	-	-	-	773,550	792,297
Total Liabilities	<u>1,983,709</u>	<u>172,167</u>	<u>283,406</u>	<u>872,606</u>	<u>935,413</u>	<u>4,247,301</u>
DEFERRED INFLOWS OF RESOURCES						
Property Taxes Levied for Subsequent Year	7,035,602	-	-	-	223,736	7,259,338
Unavailable Revenue for						
Loans Receivable	1,118,937	-	-	-	-	1,118,937
Other	257,431	-	-	550,000	280,000	1,087,431
Total Deferred Inflows of Resources	<u>8,411,970</u>	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>503,736</u>	<u>9,465,706</u>
FUND BALANCES						
Nonspendable	600,591	-	-	-	-	600,591
Restricted	-	-	885,221	-	1,491,640	2,376,861
Committed	-	-	-	-	1,024,674	1,024,674
Assigned	322,606	-	-	-	152	322,758
Unassigned	1,648,410	(172,167)	-	(872,606)	(98,263)	505,374
Total Fund Balances	<u>2,571,607</u>	<u>(172,167)</u>	<u>885,221</u>	<u>(872,606)</u>	<u>2,418,203</u>	<u>4,830,258</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,967,286</u>	<u>\$ -</u>	<u>\$ 1,168,627</u>	<u>\$ 550,000</u>	<u>\$ 3,857,352</u>	<u>\$ 18,543,265</u>

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION OF THE
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Total Fund Balances as Shown on Previous Page	\$ 4,830,258
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	48,621,398
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	2,206,368
Long-term assets are not current financial resources; therefore, are not reported in the funds.	
Net Pension Asset	2,113,233
Some deferred outflows and inflows of resources are not reported in the funds.	
Deferred Outflows Related to Pensions	3,521,444
Deferred Inflows Related to Pensions	(4,630,196)
Deferred Outflows Related to Other Postemployment Benefits	390,758
Deferred Inflows Related to Other Postemployment Benefits	(363,665)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and Notes Payable	(29,297,919)
Premium on Debt	(686,625)
Compensated Absences	(1,093,113)
Net Other Postemployment Benefit Liability	(1,245,800)
Accrued Interest on Long-Term Obligations	(173,654)
	<hr/>
Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 24,192,487</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Debt Service	2021 Capital Borrowing	Breakwater Project	Other Governmental Funds	Totals
REVENUES						
Taxes	\$ 3,615,622	\$ 2,637,976	\$ -	\$ -	\$ 544,496	\$ 6,798,094
Special Assessments	-	3,381	-	-	-	3,381
Intergovernmental	3,754,633	-	-	-	40,804	3,795,437
Licenses and Permits	422,687	-	-	-	-	422,687
Fines and Forfeits	125,097	-	-	-	-	125,097
Public Charges for Services	917,446	-	-	-	1,555,087	2,472,533
Miscellaneous	787,531	171	25,000	-	923,431	1,736,133
Total Revenues	9,623,016	2,641,528	25,000	-	3,063,818	15,353,362
EXPENDITURES						
Current:						
General Government	1,399,090	-	-	-	56,637	1,455,727
Public Safety	4,363,688	-	-	-	-	4,363,688
Public Works	2,462,713	-	-	-	192,075	2,654,788
Health and Human Services	7,053	-	-	-	-	7,053
Culture and Recreation	1,921,965	-	-	-	1,034,907	2,956,872
Conservation and Development	151,335	-	-	-	262,017	413,352
Debt Service:						
Principal	-	2,330,000	-	-	294,507	2,624,507
Interest and Fiscal Charges	-	573,273	137,564	-	45,578	756,415
Capital Outlay	11,836	-	4,125,315	1,163,488	127,142	5,427,781
Total Expenditures	10,317,680	2,903,273	4,262,879	1,163,488	2,012,863	20,660,183
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(694,664)	(261,745)	(4,237,879)	(1,163,488)	1,050,955	(5,306,821)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	-	-	4,905,000	-	-	4,905,000
Premium on Debt Issued	-	-	218,100	-	-	218,100
Transfers In	1,694,089	200,608	-	827,368	-	2,722,065
Transfers Out	-	-	-	-	(2,280,059)	(2,280,059)
Total Other Financing Sources (Uses)	1,694,089	200,608	5,123,100	827,368	(2,280,059)	5,565,106
NET CHANGE IN FUND BALANCES	999,425	(61,137)	885,221	(336,120)	(1,229,104)	258,285
Fund Balances - January 1, as originally reported	1,721,503	(111,030)	-	(536,486)	3,647,307	4,721,294
Prior Period Adjustment	(149,321)	-	-	-	-	(149,321)
Fund Balances - January 1, as restated	1,572,182	(111,030)	-	(536,486)	3,647,307	4,571,973
Fund Balances - December 31	<u>\$ 2,571,607</u>	<u>\$ (172,167)</u>	<u>\$ 885,221</u>	<u>\$ (872,606)</u>	<u>\$ 2,418,203</u>	<u>\$ 4,830,258</u>

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balances as Shown on Previous Page	\$	258,285
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Reported as Capital Outlay in Governmental Fund Statements		4,153,933
Depreciation Expense Reported in the Statement of Activities		(1,842,024)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		(108,367)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-Term Debt Issued		(4,905,000)
Premium on Debt Issued		(218,100)
Principal Repaid		2,624,507

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

Accrued Interest on Long-Term Debt		73,873
Amortization of Premiums		68,397
Compensated Absences		(22,576)
Net Pension Asset		1,002,455
Deferred Outflows of Resources Related to Pensions		916,123
Deferred Inflows of Resources Related to Pensions		(1,250,863)
Net Other Postemployment Benefits		(124,501)
Deferred Outflows of Resources Related to Other Postemployment Benefits		51,722
Deferred Inflows of Resources Related to Other Postemployment Benefits		(34,059)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities	\$	643,805
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**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 3,620,540	\$ 3,620,540	\$ 3,615,622	\$ (4,918)
Intergovernmental	3,734,178	3,734,178	3,754,633	20,455
Licenses and Permits	404,069	404,069	422,687	18,618
Fines and Forfeits	139,000	139,000	125,097	(13,903)
Public Charges for Services	839,640	839,640	917,446	77,806
Miscellaneous	781,913	781,913	787,531	5,618
Total Revenues	9,519,340	9,519,340	9,623,016	103,676
EXPENDITURES				
Current:				
General Government	1,341,694	1,341,694	1,399,090	(57,396)
Public Safety	4,352,757	4,352,757	4,363,688	(10,931)
Public Works	2,455,434	2,455,434	2,462,713	(7,279)
Health and Human Services	9,200	9,200	7,053	2,147
Culture and Recreation	1,643,669	1,643,669	1,921,965	(278,296)
Conservation and Development	156,586	156,586	151,335	5,251
Capital Outlay	10,000	10,000	11,836	(1,836)
Total Expenditures	9,969,340	9,969,340	10,317,680	(348,340)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(450,000)	(450,000)	(694,664)	(244,664)
OTHER FINANCING SOURCES				
Transfers In	450,000	450,000	1,694,089	1,244,089
NET CHANGE IN FUND BALANCE	-	-	999,425	999,425
Fund Balance - January 1, as originally reported	1,721,503	1,721,503	1,721,503	-
Prior Period Adjustment	-	-	(149,321)	(149,321)
Fund Balance - January 1, restated	1,721,503	1,721,503	1,572,182	(149,321)
FUND BALANCE - DECEMBER 31	<u>\$ 1,721,503</u>	<u>\$ 1,721,503</u>	<u>\$ 2,571,607</u>	<u>\$ 850,104</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 2,084,347	\$ 5,792,066	\$ 7,876,413
Receivables:			
Customer Accounts	484,901	548,108	1,033,009
Due from Other Funds	-	83,231	83,231
Prepaid Items		26,181	26,181
Total Current Assets	<u>2,569,248</u>	<u>6,449,586</u>	<u>9,018,834</u>
NONCURRENT ASSETS			
Restricted and Other Assets:			
Cash and Investments	2,946,293	1,130,765	4,077,058
OTHER ASSETS			
Advance to Other Funds	-	464,735	464,735
Net Pension Asset	160,297	264,232	424,529
Total Other Assets	<u>160,297</u>	<u>728,967</u>	<u>889,264</u>
CAPITAL ASSETS			
Nondepreciable	238,694	973,672	1,212,366
Depreciable, Net	13,810,812	20,526,043	34,336,855
Total Capital Assets	<u>14,049,506</u>	<u>21,499,715</u>	<u>35,549,221</u>
Total Assets	19,725,344	29,809,033	49,534,377
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Advance Refunding	910	-	910
Pension Related Amounts	267,281	440,693	707,974
Other Postemployment Benefit Related Amounts	48,889	39,844	88,733
Total Deferred Outflows of Resources	<u>317,080</u>	<u>480,537</u>	<u>797,617</u>

(Continued)

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 50,223	\$ 27,628	\$ 77,851
Accrued and Other Current Liabilities	4,797	15,896	20,693
Current Portion of Compensated Absences	19,190	50,505	69,695
Current Portion of Net Other Postemployment Benefits Liability	6,742	2,452	9,194
Current Portion of General Obligation Debt	10,176	-	10,176
Payable from Restricted Assets:			
Current Portion of Revenue Bonds	90,000	495,000	585,000
Accrued Interest	14,255	38,587	52,842
Total Current Liabilities	195,383	630,068	825,451
LONG-TERM OBLIGATIONS			
Less Current Portion:			
General Obligation Debt	88,726	-	88,726
Revenue Bonds	1,722,727	8,889,502	10,612,229
Compensated Absences	22,914	137,491	160,405
Net Other Postemployment Benefits Liability	174,840	112,530	287,370
Total Long-Term Liabilities	2,009,207	9,139,523	11,148,730
Total Liabilities	2,204,590	9,769,591	11,974,181
DEFERRED INFLOWS OF RESOURCES			
Pension Related Amounts	351,218	578,944	930,162
Other Postemployment Benefits Related Amounts	53,927	33,134	87,061
Total Deferred Inflows of Resources	405,145	612,078	1,017,223
NET POSITION			
Net Investment in Capital Assets	12,228,787	12,610,213	24,839,000
Restricted:			
Debt Service	1,580,216	597,178	2,177,394
Equipment Replacement	1,261,822	-	1,261,822
Pension	160,297	264,232	424,529
Unrestricted	2,201,567	6,436,278	8,637,845
Total Net Position	\$ 17,432,689	\$ 19,907,901	\$ 37,340,590

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGED IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
OPERATING REVENUES			
Charges for Services	\$ 2,581,948	\$ 2,990,492	\$ 5,572,440
Other	7,824	137,066	144,890
Total Operating Revenues	2,589,772	3,127,558	5,717,330
OPERATING EXPENSES			
Operation and Maintenance	1,407,683	1,583,486	2,991,169
Depreciation	707,327	529,063	1,236,390
Total Operating Expenses	2,115,010	2,112,549	4,227,559
OPERATING INCOME	474,762	1,015,009	1,489,771
NONOPERATING REVENUES (EXPENSES)			
Investment Income	(11,369)	(12,715)	(24,084)
Interest and Fiscal Charges	(94,316)	(245,477)	(339,793)
Miscellaneous	4,403	-	4,403
Total Nonoperating Revenues (Expenses)	(101,282)	(258,192)	(359,474)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	373,480	756,817	1,130,297
Capital Contributions	290,868	226,855	517,723
Transfers Out	(11,516)	(430,490)	(442,006)
CHANGE IN NET POSITION	652,832	553,182	1,206,014
Net Position - January 1, As Originally Reported	17,956,755	19,354,719	37,311,474
Prior period adjustment	(1,176,898)	-	(1,176,898)
Net Position - January 1, As Restated	16,779,857	19,354,719	36,134,576
NET POSITION - DECEMBER 31	<u>\$ 17,432,689</u>	<u>\$ 19,907,901</u>	<u>\$ 37,340,590</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 2,596,577	\$ 3,219,262	\$ 5,815,839
Cash Paid for Employee Wages and Benefits	(786,522)	(1,367,678)	(2,154,200)
Cash Paid to Suppliers	(713,080)	(281,974)	(995,054)
Net Cash Provided by Operating Activities	1,096,975	1,569,610	2,666,585
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Impact Fee Repayment	(1,176,898)	-	(1,176,898)
Due To/From Other Funds	-	(83,231)	(83,231)
Transfer Out	(11,516)	(430,490)	(442,006)
Net Cash Used by Noncapital Financing Activities	(1,188,414)	(513,721)	(1,702,135)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(695,567)	(1,008,054)	(1,703,621)
Proceeds from Long-Term Debt	1,680,000	3,195,000	4,875,000
Premium on Long-Term Debt	131,543	86,294	217,837
Principal Paid on Long-Term Debt	(584,646)	(527,464)	(1,112,110)
Interest Paid on Long-Term Debt	(86,326)	(269,633)	(355,959)
Net Cash Provided by Capital and Related Financing Activities	445,004	1,476,143	1,921,147
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	(11,369)	(12,715)	(24,084)
CHANGE IN CASH AND CASH EQUIVALENTS	342,196	2,519,317	2,861,513
Cash and Cash Equivalents - January 1	4,688,444	4,403,514	9,091,958
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 5,030,640</u>	<u>\$ 6,922,831</u>	<u>\$ 11,953,471</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 474,762	\$ 1,015,009	\$ 1,489,771
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	707,327	529,063	1,236,390
Depreciation Charged to Sewer Utility	(37,697)	37,697	-
Miscellaneous Revenue	4,403	-	4,403
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources:			
Net Pension Asset/Liability	(121,918)	(118,452)	(240,370)
Deferred Outflows Related to Pension	(150,743)	(124,296)	(275,039)
Deferred Inflows Related to Pension	241,703	183,534	425,237
Net Other Postemployment Benefits Liability	29,626	(65,442)	(35,816)
Deferred Outflows Related to Other Postemployment Benefits	(3,409)	23,209	19,800
Deferred Inflows Related to Other Postemployment Benefits	3,752	(16,968)	(13,216)
Change in Operating Assets and Liabilities:			
Accounts Receivables	2,402	91,704	94,106
Prepaid Items	-	27,342	27,342
Accounts Payable	(70,643)	(28,358)	(99,001)
Accrued and Other Current Liabilities	(24,694)	(172,428)	(197,122)
Compensated Absences	42,104	187,996	230,100
Net Cash Provided by Operating Activities	<u>\$ 1,096,975</u>	<u>\$ 1,569,610</u>	<u>\$ 2,666,585</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and Cash Equivalents in Current Assets	\$ 2,084,347	\$ 5,792,066	\$ 7,876,413
Cash and Cash Equivalents in Restricted Assets	<u>2,946,293</u>	<u>1,130,765</u>	<u>4,077,058</u>
Total Cash and Cash Equivalents	<u>\$ 5,030,640</u>	<u>\$ 6,922,831</u>	<u>\$ 11,953,471</u>
Noncash capital and related financing activities			
Capital Assets Contributed by City	\$ 290,868	\$ 226,855	\$ 517,723

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2021**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and Investments	\$ 7,837,478
Receivables:	
Taxes	<u>6,240,891</u>
Total Assets	<u><u>\$ 14,078,369</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	<u>\$ 14,078,369</u>
NET POSITION	
Fiduciary Net Position - Restricted for Other Governments	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ADDITIONS	
Taxes and Special Charges Collected	\$ 13,519,905
DEDUCTIONS	
Payments to Other Taxing Jurisdictions	<u>13,519,905</u>
CHANGES IN NET POSITION	-
Net Position - January 1	<u>-</u>
NET POSITION - DECEMBER 31	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation governed by an elected seven member City Council. In accordance with U.S. GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component units that are required to be included in the basic financial statements.

Discretely Presented Component Units

Community Development Authority of the City of Port Washington

The government-wide financial statements include the Community Development Authority of the City of Port Washington (the CDA) as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin statutes provide for circumstances whereby the City can impose its will on the CDA, and also create a potential financial benefit to or burden on the City. As a component unit, the CDA'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, 2021. The CDA does not issue separate financial statements.

Business Improvement District

The government-wide financial statements include the Business Improvement District (the BID) as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor. Wisconsin statutes provide for circumstances whereby the City can impose its will on the BID, and also create a potential financial benefit to or burden on the City. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2021. The BID does not issue separate financial statements.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture

The Mid-Moraine Municipal Court (Municipal Court) provides municipal court services for the following members:

Washington County

City of Hartford
City of West Bend
Village of Germantown
Village of Jackson
Village of Kewaskum
Village of Newburg
Village of Slinger
Town of Hartford
Town of Trenton

Ozaukee County

City of Cedarburg
City of Mequon
City of Port Washington
Village of Fredonia
Village of Grafton
Village of Saukville
Village of Thiensville

The members share in the annual costs of the Municipal Court proportionate to the individual municipality's annual case load. The City's share of the cost to operate the Municipal Court in 2021 was 6.60%.

The governing committee of the Municipal Court is made up of employees from each community. Local representatives are appointed by the chief executive officer of each community. The committee recommends its own budget which is ratified by each community member. The committee also controls the financial affairs of the Municipal Court. The City believes that the municipal court will continue to provide similar services in the future.

Financial information of the Mid-Moraine Municipal Court as of December 31, 2021, is available directly from the Mid-Moraine Municipal Court in West Bend, Wisconsin.

C. Government-Wide and Fund Financial Statements

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. 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

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

General Debt Service Fund

The City's general debt expenditures are accounted for in this fund.

2021 Capital Borrowing

This fund is used to account for and report financial resources to be used for construction projects related to the 2021 capital borrowing.

Breakwater Project

This fund is used to account for and report the financial resources and expenditures related to the Breakwater Project.

The City reports the following major enterprise funds:

Wastewater Utility Fund

This fund accounts for the operations of a sewage collection system for city residents, business entities and public authorities.

Water Utility Fund

This fund accounts for the operations of a water distribution system which provides water service to city residents, business entities and public authorities.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following nonmajor governmental funds:

Special Revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specific purposes.

- Marina
- Revolving Loan
- Library
- Tourism
- Open Spaces
- Tree Replacement
- Payments to Townships
- Senior Center
- Recycling/Garbage
- Environmental Planning
- Waterfront Safety
- Marina Special Events
- ARPA

Capital Projects funds account for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

- 2018 Capital Improvements
- 2019 Capital Borrowing
- Franklin Street Streetscape
- Coal Dock Project
- TID No. 2
- TID No. 3
- 2018 Capital Borrowing
- TID No. 4

Additionally, the City reports the following fund types:

- The City accounts for assets held for individuals or other government agencies in custodial funds. The tax roll custodial fund accounts for property taxes and special charges collected on behalf of other governments.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments

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

2. Property Taxes and Special Charges Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the City. Special charges not paid by January 31 are held in trust by the County and remitted to the City, including interest, when collected by the County.

In addition to its levy, the City also levies and collects taxes for the Port Washington-Saukville School District, Ozaukee County, and Milwaukee Area Technical College. Collections and remittances of taxes for other entities are accounted for in the tax roll custodial fund.

3. Accounts Receivable

Accounts receivable have been shown net of an allowance for uncollectable accounts of \$252,167 in the general fund. Of this amount, \$7,763 relates to general accounts receivable and \$244,404 relates to emergency medical service billings.

4. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2021 tax roll are recognized as revenue in 2022.)

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Loans Receivable

The City has received federal grant funds for economic development loan programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

It is the City's policy to record revenue when the initial loan is made from the federal grant funds. The net amount of the loan receivable 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.

6. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds".

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

7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed during the periods benefited.

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Assets	
Buildings	20 to 90 Years
Machinery and Equipment	3 to 50 Years
Infrastructure	20 to 100 Years
Utility System	7 to 100 Years

9. Compensated Absences

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

10. Deferred Outflows/Inflows of Resources

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Deferred Outflows/Inflows of Resources (Continued)

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for loans receivable and other long-term receivables. These inflows are recognized as revenues in the government-wide financial statements.

11. Long-Term Obligations

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

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

12. Pensions

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Pensions (Continued)

Defined Contribution Pension Plan

The City contributes to the Service Award Program (SAP), a defined contribution pension plan, for its volunteer fire fighters, first responders and emergency medical technicians. SAP is administered by UBS Financial Services, Inc.

The City determines annually the amount it will contribute on behalf of each individual in the program. Participants are fully vested to receive a service award once he or she attains 15 years of service for a municipality and paid a service award upon reaching the age of 60. A participant who has discontinued providing eligible service after performing a minimum 10 years of service shall be partially vested and may elect to receive a partial service award at any time after reaching age 53. Nonvested accounts are forfeited if the individual ceases to perform creditable service for a period of 12 months or more and distributed equally among all other open accounts sponsored by the participating municipality at the time of the forfeiture.

For the year ended December 31, 2021, the City contributed \$11,000 to the plan, and the City recognized pension expense of \$11,000.

13. Other Postemployment Benefits (OPEB)

Defined Benefit Plan

Qualifying employees are provided with other postemployment benefits. The OPEB is a single employer defined benefit plan administered by the City. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Local Retiree Life Insurance Fund

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Fund Equity

Governmental Fund Financial Statements

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

- **Nonspendable Fund Balance.** Amounts that are not in spendable form (such as prepaid items) or are legally or contractually required to remain intact.
- **Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance.** Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them (resolution).
- **Assigned Fund Balance.** Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as either restricted or committed. The City Council has authorized, by resolution, the finance committee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned Fund Balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Fund Equity (Continued)

Government-Wide and Proprietary Fund Statements

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

- Net Investment in Capital Assets. Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted Net Position. Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position. Net position that is neither classified as restricted nor as net investment in capital assets.

F. Use of Estimates

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

NOTE 2 STEWARDSHIP AND COMPLIANCE

A. Budgets and Budgetary Accounting

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

1. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the general fund, certain special revenue funds, debt service funds and certain capital project funds.
4. Expenditures may not exceed appropriations provided at the function level. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
5. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

General fund expenditures exceeded budget by \$348,340 for the fiscal year ended December 31, 2021.

B. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2021 as follows:

Fund	Excess Expenditures
General Fund	
General Government	\$ 57,396
Public Safety	10,931
Public Works	7,279
Culture and Recreation	278,296
Capital Outlay	1,836

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

C. Deficit Fund Equity

The following funds had deficit fund balances as of December 31, 2021:

Fund	Deficit Fund Balance
Debt Service	\$ 172,167
Environmental Planning	149
ARPA Fund	3,906
TID No. 3	92,933
Breakwater Project	872,606
TID No. 4	1,275

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

D. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2021 and 2022 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2021 budget was 2.13%. The actual limit for the City for the 2022 budget was 3.09%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The carrying amount of the City's cash and investments totaled \$31,237,992 on December 31, 2021 as summarized below:

Petty Cash and Cash on Hand	\$ 1,110
Deposits with Financial Institutions	22,961,023
Investments:	
State and Municipal Bonds	2,657,711
Negotiable Certificates of Deposits	2,420,996
Mutual Bond Funds	106,000
Federal Farm Credit Bank	394,177
Federal Home Loan Bank	97,536
Wisconsin Local Government Investment Pool	2,599,439
Total	<u>\$ 31,237,992</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Other Investments	\$ 19,323,456
Restricted Cash and Investments	4,077,058
Fiduciary Fund Statement of Net Position:	
Cash and Investments	7,837,478
Total	<u>\$ 31,237,992</u>

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2021:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
State and Municipal Bonds	\$ -	\$ 2,657,711	\$ -
Negotiable Certificates of Deposits	-	2,420,996	-
Mutual Bond Funds	-	106,000	-
Federal Farm Credit Bank	-	394,177	-
Federal Home Loan Bank	-	97,536	-
	<u>\$ -</u>	<u>\$ 5,676,420</u>	<u>\$ -</u>

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk

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

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

As of December 31, 2021, \$20,333,696 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. Of this amount, all but \$161,466 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

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

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
State and Municipal Bonds	\$ 2,657,711	\$ -	\$ 2,657,711	\$ -	\$ -
Negotiable Certificates of Deposits	2,420,996	-	-	-	2,420,996
Mutual Bond Funds	106,000	-	-	-	106,000
Federal Farm Credit Bank	394,177	-	394,177	-	-
Federal Home Loan Bank	97,536	-	97,536	-	-
Wisconsin Local Government Investment Pool	2,599,439	-	-	-	2,599,439
Totals	<u>\$ 8,275,859</u>	<u>\$ -</u>	<u>\$ 3,149,424</u>	<u>\$ -</u>	<u>\$ 5,126,435</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rate. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity evenly overtime as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State and Municipal Bonds	\$ 2,657,711	\$ 1,526,534	\$ 491,542	\$ 639,635	\$ -
Negotiable Certificates of Deposits	2,420,996	1,042,791	750,526	627,679	-
Mutual Bond Funds	106,000	106,000	-	-	-
Federal Farm Credit Bank	394,177	-	-	394,177	-
Federal Home Loan Bank	97,536	-	-	97,536	-
Wisconsin Local Government Investment Pool	2,599,439	2,599,439	-	-	-
Totals	<u>\$ 8,275,859</u>	<u>\$ 5,274,764</u>	<u>\$ 1,242,068</u>	<u>\$ 1,759,027</u>	<u>\$ -</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of year-end for the City's individual major funds and aggregate nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Breakwater Project	Nonmajor Government Funds	Total
Receivables				
Taxes	\$ 3,251,399	\$ -	\$ 223,736	\$ 3,475,135
Delinquent taxes	8,320	-	-	8,320
Accounts	831,633	550,000	280,250	1,661,883
Special Assessments	5,205	-	-	5,205
Development loans	1,118,937	-	392,281	1,511,218
Gross receivables	5,215,494	550,000	896,267	6,661,761
Less: Allowance for uncollectibles	252,167	-	-	252,167
Net total receivables	<u>\$ 4,963,327</u>	<u>\$ 550,000</u>	<u>\$ 896,267</u>	<u>\$ 6,409,594</u>

C. Restricted Assets

Restricted and other assets on December 31, 2021 totaled \$4,077,058 and consisted of cash and investments held for the following purposes:

Funds	Business-Type Activities		Total
	Wastewater Utility	Water Utility	
Restricted Cash and Investments:			
Equipment Replacement	\$ 1,261,822	\$ -	\$ 1,261,822
Bond Redemption	76,289	408,859	485,148
Bond Reserve	145,729	721,906	867,635
Capital Reserves	1,462,453	-	1,462,453
Total Restricted and Other Assets	<u>\$ 2,946,293</u>	<u>\$ 1,130,765</u>	<u>\$ 4,077,058</u>

Grant requirement and bond covenants require the City to restrict cash and investments for the following purposes, as summarized below:

Equipment Replacement	Represents resources set aside to fund plant renewals and replacements.
Bond Redemption	Represents resources accumulated for debt service payments over the next 12 months.
Bond Reserve	Represents resources set aside to make potential future deficiencies in the redemption account.
Capital Reserves	Represents funds available to finance future capital improvements.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable				
Land	\$ 3,889,709	\$ -	\$ -	\$ 3,889,709
Construction in Progress	1,321,404	2,212,487	1,186,099	2,347,792
Total Capital Assets, Nondepreciable	<u>5,211,113</u>	<u>2,212,487</u>	<u>1,186,099</u>	<u>6,237,501</u>
Capital Assets, Depreciable:				
Buildings	16,175,942	92,504	-	16,268,446
Machinery and Equipment	11,843,035	1,019,088	-	12,862,123
Infrastructure	44,807,799	2,015,953	-	46,823,752
Subtotals	<u>72,826,776</u>	<u>3,127,545</u>	<u>-</u>	<u>75,954,321</u>
Less Accumulated Depreciation for:				
Buildings	7,239,323	308,329	-	7,547,652
Machinery and Equipment	7,596,770	571,277	-	8,168,047
Infrastructure	16,892,307	962,418	-	17,854,725
Subtotals	<u>31,728,400</u>	<u>1,842,024</u>	<u>-</u>	<u>33,570,424</u>
Total Capital Assets, Depreciable, Net	<u>41,098,376</u>	<u>1,285,521</u>	<u>-</u>	<u>42,383,897</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,309,489</u>	<u>\$ 3,498,008</u>	<u>\$ 1,186,099</u>	48,621,398
Less: Capital Related Debt				28,412,698
Less: Debt Premium				<u>686,625</u>
Net Investment in Capital Assets				<u>\$ 19,522,075</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Nondepreciable				
Land	\$ 51,529	\$ -	\$ -	\$ 51,529
Construction in Progress	-	1,160,837	-	1,160,837
Total Capital Assets, Nondepreciable	51,529	1,160,837	-	1,212,366
Capital Assets, Depreciable:				
Buildings and Improvements	11,501,625	-	-	11,501,625
Machinery and Equipment	8,177,765	368,053	-	8,545,818
Infrastructure	46,262,072	692,454	54,040	46,900,486
Subtotals	65,941,462	1,060,507	54,040	66,947,929
Less Accumulated Depreciation	31,428,724	1,236,390	54,040	32,611,074
Total Capital Assets, Depreciable, Net	34,512,738	(175,883)	-	34,336,855
Business-Type Activities Capital Assets, Net	<u>\$ 34,564,267</u>	<u>\$ 984,954</u>	<u>\$ -</u>	35,549,221
Less: Capital Related Debt				10,343,902
Less: Debt Premium				367,229
Add: Deferred Outflow Related to Capital Related Debt				910
Net Investment in Capital Assets				<u>\$ 24,839,000</u>

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

Governmental Activities:	
General Government	\$ 395,533
Public Safety	268,447
Public Works	866,123
Culture and Recreation	311,921
Total Depreciation Expense - Governmental Activities	<u>\$ 1,842,024</u>
Business-Type Activities:	
Water Utility	\$ 529,063
Sewer Utility	707,327
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,236,390</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2021 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary Cash Advances to Finance		
Operating Cash Deficits:		
Governmental Funds:		
General Fund	\$ 576,962	\$ 83,231
General Debt Service	-	167,667
Breakwater Project	-	407,871
Nonmajor Governmental Funds		
Environmental Planning	-	149
TID No. 2	92,933	-
TID No. 3	-	92,933
TID No. 4	-	1,275
Proprietary Funds:		
Water Utility	83,231	-
Subtotal	<u>\$ 753,126</u>	<u>\$ 753,126</u>
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Long-Term Advances for Breakwater Project		
Governmental Fund:		
Breakwater Project	\$ -	\$ 464,735
Enterprise Funds:		
Water Utility	464,735	-
Totals	<u>\$ 464,735</u>	<u>\$ 464,735</u>

The \$464,735 interfund advance from the City's Water Utility to the Breakwater Project Capital Projects Fund represents funds to pay for the project until such time as the City receives grant funds for that project. No repayment schedule has been established.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

Interfund transfers for the year ended December 31, 2021 were as follows:

Funds	Transfer In	Transfer Out
General	\$ 1,694,089	\$ -
General Debt Service	200,608	-
Nonmajor Governmental Funds		
Marina	-	250,608
2018 Capital Improvements	-	1,202,083
2019 Capital Borrowing	-	774,925
Breakwater Project	827,368	-
2018 Capital Borrowing	-	52,443
Wastewater Utility	-	11,516
Water Utility	-	430,490
Total	<u>\$ 2,722,065</u>	<u>\$ 2,722,065</u>

Interfund transfers were made for the following purposes:

Tax Equivalent Payment Made by Water Utility to General Fund	\$ 430,490
Tax Equivalent Payment Made by Wastewater Utility to General Fund	11,516
Transfer for Administrative Costs	50,000
Transfer for Debt Service Payments	200,608
Transfer funds to Breakwater Project	827,368
Transfer to Close out the 2018 Capital Improvements Fund to the General Fund	1,202,083
Total	<u>\$ 2,722,065</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2021:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 26,970,000	\$ 4,905,000	\$ 2,620,000	\$ 29,255,000	\$ 2,970,000
Notes from Direct Borrowings	47,426	-	4,507	42,919	4,784
Total General Obligation Debt	27,017,426	4,905,000	2,624,507	29,297,919	2,974,784
Debt Premium	536,922	218,100	68,397	686,625	-
Compensated Absences	1,070,537	416,775	394,199	1,093,113	266,070
Governmental Activities					
Long-Term Obligations	<u>\$ 28,624,885</u>	<u>\$ 5,539,875</u>	<u>\$ 3,087,103</u>	<u>\$ 31,077,657</u>	<u>\$ 3,240,854</u>
Business-Type Activities:					
General Obligation Debt:					
Notes	\$ 108,548	\$ -	\$ 9,646	\$ 98,902	\$ 10,176
Revenue Bonds	6,870,000	3,915,000	915,000	9,870,000	585,000
Revenue Bonds from Direct					
Borrowings	187,464	-	187,464	-	-
Bond Anticipation Notes	-	960,000	-	960,000	-
Debt Premium	174,996	217,837	25,604	367,229	-
Compensated Absences	204,726	98,080	72,706	230,100	69,695
Business-Type Activities					
Long-Term Obligations	<u>\$ 7,545,734</u>	<u>\$ 5,190,917</u>	<u>\$ 1,210,420</u>	<u>\$ 11,526,231</u>	<u>\$ 664,871</u>

Total interest paid during the year on long-term debt totaled \$827,990.

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21
State Trust Fund Loan (Sewer)	06/10/09	03/15/29	5.50%	\$ 188,900	\$ 98,902
Refunding Bonds	11/14/12	09/01/27	2.00 - 2.38%	1,030,000	470,000
Refunding Bonds	07/01/13	09/01/32	2.25 - 3.25%	3,965,000	2,705,000
Promissory Notes	08/04/14	09/01/24	2.00 - 2.63%	4,200,000	875,000
Refunding Bonds	07/06/16	09/01/31	2.00 - 2.50%	5,030,000	4,360,000
Promissory Notes	06/27/17	09/01/26	2.00 - 3.00%	5,445,000	4,225,000
Promissory Notes	06/15/18	09/01/27	2.50 - 3.00%	2,400,000	1,825,000
Taxable Promissory Notes	08/19/19	12/01/27	2.00 - 3.00%	1,110,000	860,000
Refunding Bonds	11/01/19	12/01/34	2.00 - 4.00%	2,890,000	2,890,000
State Trust Fund Loan	02/13/20	03/15/29	3.25%	47,426	42,919
Promissory Notes	06/08/20	09/01/29	2.00%	2,895,000	2,535,000
Refunding Bonds	08/17/20	09/01/33	0.20 - 1.65%	3,780,000	3,605,000
Refunding Bonds	10/15/21	09/01/33	1.00 - 2.00%	4,905,000	4,905,000
Total Outstanding General Obligation Debt					<u>\$ 29,396,821</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$29,396,821 on December 31, 2021 are detailed below:

Year Ended December 31,	General Obligation Notes from Direct Borrowing and Direct Placements					
	Governmental Activities		Business- Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 4,784	\$ 1,395	\$ 10,176	\$ 5,440	\$ 14,960	\$ 6,835
2023	4,940	1,239	10,735	4,880	15,675	6,119
2024	5,098	1,082	11,314	4,301	16,412	5,383
2025	5,266	913	11,948	3,667	17,214	4,580
2026	5,437	742	12,605	3,010	18,042	3,752
2027-2031	17,394	1,144	42,124	4,721	59,518	5,865
	<u>\$ 42,919</u>	<u>\$ 6,515</u>	<u>\$ 98,902</u>	<u>\$ 26,019</u>	<u>\$ 141,821</u>	<u>\$ 32,534</u>

Year Ended December 31,	General Obligation Debt Governmental Activities	
	Principal	Interest
2022	\$ 2,970,000	\$ 620,455
2023	3,055,000	568,398
2024	3,120,000	496,705
2025	3,225,000	430,281
2026	3,050,000	366,834
2027-2031	10,805,000	959,481
2032-2034	3,030,000	105,462
	<u>\$ 29,255,000</u>	<u>\$ 3,547,616</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2021 was \$35,126,869 as follows:

Equalized Valuation of the City	\$ 1,290,473,800
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	64,523,690
Net Outstanding General Obligation Debt Applicable to Debt Limitation	29,396,821
Legal Margin for New Debt	<u>\$ 35,126,869</u>

Bond Anticipation Notes

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21
Taxable Revenue Bond Anticipation Note	10/28/21	5/1/24	0.65%	\$ 960,000	<u>\$ 960,000</u>

Annual principal and interest maturities of the outstanding bond anticipation notes of \$960,000 on December 31, 2021 are detailed below:

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Bond Anticipation Notes (Continued)

Year Ended December 31,	Business Type Activities		
	Principal	Interest	Total
2022	\$ -	\$ 6,292	\$ 6,292
2023	-	6,240	6,240
2024	960,000	3,120	963,120
Total	<u>\$ 960,000</u>	<u>\$ 15,652</u>	<u>\$ 975,652</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2021 totaled \$9,870,000 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21
Water Revenue Bonds	06/06/16	05/01/36	2.25 - 3.00%	\$ 2,500,000	\$ 2,060,000
Water Revenue Bonds	04/05/18	05/01/31	3.25%	2,635,000	2,125,000
Water Revenue Bonds	06/28/19	05/01/36	4.00%	1,820,000	1,770,000
Sewer Revenue Bonds	10/06/21	05/01/36	2.00 - 3.00%	1,680,000	1,680,000
Water Revenue Bonds	10/28/21	05/01/36	2.00%	2,235,000	2,235,000
Total Outstanding Revenue Bonds					<u>\$ 9,870,000</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$9,870,000 on December 31, 2021 are detailed below:

Year Ended December 31,	Business-Type Activities		
	Bonded		
	Principal	Interest	Total
2022	\$ 585,000	\$ 268,262	\$ 853,262
2023	610,000	247,058	857,058
2024	625,000	225,583	850,583
2025	640,000	203,731	843,731
2026	655,000	184,807	839,807
2027-2031	3,580,000	630,220	4,210,220
2032-2036	3,175,000	195,575	3,370,575
	<u>\$ 9,870,000</u>	<u>\$ 1,955,236</u>	<u>\$ 11,825,236</u>

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay the water system revenue bonds. Proceeds from the bonds provided financing for the water system. The bonds are payable solely from water customer net revenues and are payable through 2036. The total principal and interest remaining to be paid on the bonds is \$9,831,257. Principal and interest paid for the current year and total customer net revenues were \$715,055 and \$1,556,787 respectively.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Utility Revenues Pledged (Continued)

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the water system revenue bonds. Proceeds from the bonds provided financing for the sewer system. The bonds are payable solely from sewer customer net revenues and are payable through 2036. The total principal and interest remaining to be paid on the bonds is \$1,993,979. Principal and interest paid for the current year and total customer net revenues were \$585,065 and \$1,193,458 respectively.

Bond Covenant Disclosures

Debt Coverage Water and Sewer System Revenue Bonds

Under terms of the resolutions providing for the issue of revenue bonds, revenue less operating expenses, excluding depreciation, must exceed 1.20 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2021 as follows:

	Wastewater	Water
Operating Revenues	\$ 2,589,772	\$ 3,127,558
Less: Operating Expenses	(2,115,010)	(2,112,549)
Add: Depreciation	707,327	529,063
Interest Revenue	11,369	12,715
Pledged Net Revenues	<u>\$ 1,193,458</u>	<u>\$ 1,556,787</u>
Highest annual principal and interest requirements	\$ 138,700	\$ 718,733
Coverage Factor	8.60	2.17
Required	1.20	1.20

Insurance

The utilities are 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. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceed coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The utilities are covered under the following insurance policies at December 31, 2021:

Type	Coverage	Expiration	Name of Insurer
General Liability & Property	\$1,000,000 Each Occurrence	1/1/2022	Employers Mutual Casualty Company
Automobile	\$1,000,000 Combined Limit	1/1/2022	Employers Mutual Casualty Company
Excess Liability	\$5,000,000 Each Occurrence	1/1/2022	Employers Mutual Casualty Company
Workers Compensation	\$500,000 Each Incident	1/1/2022	Employers Mutual Casualty Company

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Bond Covenant Disclosures (Continued)

Number of Customers and Billed Volumes

The utilities has the following number of customers and billed volume for 2021:

	Customers		Sales (000 gals)
	Water	Wastewater	Total
Residential	4,629	4,624	247,403
Commercial	384	305	56,473
Industrial	35	29	136,260
Public Authority	56	42	26,520
Multi-Family	59	59	25,387
	5,163	5,059	492,043

The 2021 utility budgets were prepared and approved as required by the bond resolutions.

The City has carried out the requirements of the Water and Sewer revenue bond resolutions, including the reserve requirement.

G. Pension Plan

1. 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 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 <http://etf.wi.gov/publications/cafr.htm>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

1. Plan Description (Continued)

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

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

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

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

The WRS also provides death and disability benefits for employees.

2. Postretirement Adjustments

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

2. Postretirement Adjustments (Continued)

<u>Year</u>	<u>Cor Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21

3. Contributions

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

During the reporting period ending December 31, 2021, the WRS recognized \$487,673 in contributions from the City.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Executives, and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

At December 31, 2021, the City reported an asset of \$2,537,762 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the City's proportion was 0.04064883%, which was a decrease of 0.00036716% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the City recognized pension revenue of \$272,811.

At December 31, 2021, 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 Expected and Actual Experience	\$ 3,672,920	\$ 791,140
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	4,764,442
Changes in Assumptions	57,561	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	11,264	4,776
Employer Contributions Subsequent to the Measurement Date	487,673	-
Total	<u>\$ 4,229,418</u>	<u>\$ 5,560,358</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

\$487,673 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2022	\$ (468,168)
2023	(126,266)
2024	(860,806)
2025	(363,373)
Total	<u>\$ (1,818,613)</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset)	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.9%

* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total Pension Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets

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

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Global Equities	51%	7.2%	4.7%
Fixed Income	25.0%	3.2%	0.8%
Inflation Sensitive Assets	16.0%	2.0%	-0.4%
Real Estate	8%	5.6%	3.1%
Private Equity/Debt	11%	10.2%	7.6%
Multi-Asset	4%	5.8%	3.3%
Cash	-15%	0.9%	N/A
Total Core Fund	100%	6.6%	4.1%
Variable Fund Asset Class:			
U.S. Equities	70%	6.6%	4.1%
International Equities	30%	7.4%	4.9%
Total Variable Fund	100%	7.1%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.40%

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Single Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (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, 2020. 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 7.00% expected rate of return implies that a dividend of approximately 1.9% 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.

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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,415,598	\$ (2,537,762)	\$ (6,175,969)

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>.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

6. Payables to the Pension Plan

At December 31, 2021, the City reported a payable of \$104,619 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2021.

H. Other Postemployment Benefits

The City reports OPEB balances at December 31, 2021 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ 603,231	\$ 271,918	\$ 166,650
Single-Employer Defined OPEB Plan	939,133	207,573	284,076
Total Pension Liability	\$ 1,542,364	\$ 479,491	\$ 450,726

1. Single-Employer Defined Postemployment Benefit Plan

Plan Description

The Plan is a single-employer defined benefit postemployment health plan. The plan provides OPEB for all permanent full-time general, marina, wastewater, and water utility employees of the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The plan provides healthcare, prescription drug and dental coverage for retirees and their dependents. Retirees pay 100% of the monthly premium.

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3
Active Employees	69
	72

Total OPEB Liability

The City's total OPEB liability of \$939,133 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.0%
Salary Increases:	3.0%
Healthcare Cost Trend Rates:	6.50% decreasing by 0.10% per year down to 5.00%, and level thereafter
Discount Rate	2.25%

Mortality rates were based on Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at December 31, 2020	\$ 845,162
Changes for the Year:	
Service Cost	70,171
Interest	23,758
Effect of Assumptions Changes or Inputs	32,651
Benefit Payments	(32,609)
Net Changes	93,971
Balance at December 31, 2021	<u>\$ 939,133</u>

Sensitivity of the Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current discount rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Total OPEB Liability	\$ 1,007,652	\$ 939,133	\$ 874,924

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

1. Single-employer Defined Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.5% decreasing to 4.0%) or 1-percentage point higher (7.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (5.5% Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5.0%)	1% Increase (7.5% Decreasing to 6.0%)
Total OPEB Liability	\$ 839,180	\$ 939,133	\$ 1,056,196

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the City recognized OPEB expense of \$73,123. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 284,076
Changes in Assumptions	163,466	-
City Benefit Payments Subsequent to the Measurement Date	44,107	-
Total	<u>\$ 207,573</u>	<u>\$ 284,076</u>

\$44,107 reported as deferred outflows of resources related to OPEB resulting from City benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the measurement period ended December 31, 2021 and reported in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ending December 31,</u>	<u>Expense</u>
2022	\$ (20,806)
2023	(20,806)
2024	(20,775)
2025	(20,768)
2026	(20,768)
Thereafter	(16,687)
Total	<u>\$ (120,610)</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/publications.cafr.htm>

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

Benefits Provided

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

Contributions

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

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

Contribution rates as of December 31, 2021 are:

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Postretirement Coverage	40% of Member Contribution
25% Postretirement Coverage	20% of Member Contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2020 are listed below:

Life Insurance Member Contribution Rates* For the Year Ended December 31, 2020		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30 - 34	\$0.06	\$0.06
35 - 39	\$0.07	\$0.07
40 - 44	\$0.08	\$0.08
45 - 49	\$0.12	\$0.12
50 - 54	\$0.22	\$0.22
55 - 59	\$0.39	\$0.39
60 - 64	\$0.49	\$0.49
65 - 69	\$0.57	\$0.57

*Disabled members under age 70 receive a waiver-of-premium benefit.

During the year ended December 31, 2021, LRLIF recognized \$2,649 in contributions from the employer.

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2021, the City reported a liability of \$603,231 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the City's proportion was 0.10966400%, which was a decrease of 0.03954100% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the City recognized OPEB expense of \$63,732.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 28,784
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	8,783	-
Changes in Assumptions	234,665	41,390
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	28,470	96,476
Total	<u>\$ 271,918</u>	<u>\$ 166,650</u>

Other reduction of the net OPEB liability in the year amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2022	\$ 22,352
2023	21,402
2024	20,424
2025	17,914
2026	23,038
Thereafter	138
Total	<u>\$ 105,268</u>

Actuarial Assumptions. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2020
Measurement date of net OPEB liability (asset):	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

Actuarial Assumptions (Continued). Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 actuarial valuation.

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

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	50%	1.47%
U.S. Mortgages	Barclays MBS	50%	0.82%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% respectively. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

Single Discount Rate. A single discount rate of 2.25% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the City's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 2.25%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
City's Proportionate Share of the Net OPEB Liability	\$ 820,567	\$ 603,231	\$ 438,866

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB 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>.

Payable to the OPEB Plan

At December 31, 2021, the City did not report a payable for any outstanding amount of contributions to the Plan required for the year ended December 31, 2021.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity

1. Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2021, nonspendable fund balance was as follows:

General Fund:

Nonspendable:

Prepaid Items	\$ 16,733
Delinquent Taxes	8,320
Interfund receivable from the Debt Service Fund	167,667
Interfund receivable from the Breakwater Project	407,871
Total General Fund Nonspendable Fund Balance	<u>\$ 600,591</u>

2. Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2021, restricted fund balance was as follows:

Special Revenue Funds:

Restricted for:

Loan Programs	\$ 823,383
Library	116,356
Total Special Revenue Funds	<u>939,739</u>

Capital Projects Funds:

Restricted for:

Capital Projects	977,260
Tax Incremental District Development	459,862
Total Capital Project Funds	<u>1,437,122</u>

Total Restricted Fund Balance	<u>\$ 2,376,861</u>
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**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

3. Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2021, general fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Marina Projects	\$ 448,491
Tourism	6,099
Open Spaces	384,997
Tree Replacement	101,777
Payments to Townships	1,395
Senior Center	20,436
Recycling	51,967
Marina Special Events	9,512
Total Committed Fund Balance	<u><u>\$ 1,024,674</u></u>

4. Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2021, fund balance was assigned as follows:

General Fund	
Assigned for:	
Breakwater Project	\$ 322,606
Special Revenue Funds:	
Assigned for:	
Waterfront Safety	<u>152</u>
Total	<u><u>\$ 322,758</u></u>

5. Minimum Fund Balance Policy

The City Council has established a minimum General Fund unassigned fund balance goal of a minimum of 20% of current annual General Fund operating expenditures, excluding capital outlay and debt service.

2021 General Fund Expenditures less	
capital outlay and debt service	\$ 10,305,844
Minimum Fund Balance Percent	(x) 20%
Minimum Fund Balance Amount	<u><u>\$ 2,061,169</u></u>

The current unassigned general fund balance of \$1,648,410 is below the 20% goal.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 OTHER INFORMATION

A. Tax Incremental Financing Districts

The City has established a separate capital projects fund for Tax Incremental District (TID) No. 2, 3 and 4 which were created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the District was created, the property tax base within the District was “frozen” and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City’s District is still eligible to incur project costs.

Since creation of the above District, the City has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the City from any future excess tax increment revenues. As of December 31, 2021, the City can recover \$2,342,265 from future excess tax increment revenues of the following:

	Recoverable Costs
TID No. 2	\$ 1,893,057
TID No. 3	447,933
TID No. 4	1,275

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective District. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	Termination Year
TID No. 2	2037
TID No. 3	2035
TID No. 4	2047

B. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God for which the government carries commercial insurance. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Contingencies

From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast 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 participates in a number of federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grants. Management believes such reimbursements, if any, would be immaterial.

D. Prior Period Adjustments

The City recorded a prior period adjustment to increase deferred inflows by \$149,321 which resulted in a decrease in fund balance in the governmental funds in the amount of \$149,321. In addition, the City recorded a prior period adjustment to decrease deferred inflows – unearned by \$1,885,414 for governmental activities, which resulted in an increase in net position for the governmental activities. In addition, the City also recorded a prior period adjustment to decrease net position of the proprietary funds and business-type activities by \$1,176,898 related to the refund of impact fees. The City also recorded a prior period adjustment effecting the CDA, a discretely presented component unit, to decrease capital assets and net position in the amount of \$309,544.

D. Subsequent Event

On March 15, 2022, the City Council approved the issuance and sale of \$835,000 taxable general obligation bonds. The purpose of the bonds is to provide financing for community development initiatives.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SINGLE EMPLOYER PLAN
LAST 10 FISCAL YEARS *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 70,171	\$ 38,456	\$ 48,957	\$ 48,957
Interest	23,758	27,095	24,660	24,660
Changes of benefit terms		-	-	340,009
Differences between expected and actual experience	-	(378,657)	625	(197)
Changes of assumptions	32,651	179,862	-	-
Benefit payments	(32,609)	(11,801)	(14,545)	(14,545)
Net change in total OPEB liability	<u>93,971</u>	<u>(145,045)</u>	<u>59,697</u>	<u>398,884</u>
Total OPEB liability - beginning	<u>845,162</u>	<u>990,207</u>	<u>930,510</u>	<u>531,626</u>
 Total OPEB liability - ending	 <u>\$ 939,133</u>	 <u>\$ 845,162</u>	 <u>\$ 990,207</u>	 <u>\$ 930,510</u>
 Covered-employee payroll	 \$4,921,471	 \$4,921,471	 \$4,753,958	 \$4,753,958
 City's total OPEB liability as a percentage of covered-employee payroll	 19.08%	 17.17%	 20.83%	 19.57%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Data is being accumulated annually to present 10 years of the reported information.

CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT PERIODS

Measurement Period 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 (Asset)
12/31/14	0.03973232%	\$ (977,408)	\$ 4,782,327	20.44%	102.74%
12/31/15	0.03943463%	640,805	4,861,923	13.18%	98.20%
12/31/16	0.03916297%	322,796	4,932,900	6.54%	99.12%
12/31/17	0.03965889%	(1,177,519)	5,032,874	23.40%	102.93%
12/31/18	0.04009404%	1,426,420	5,117,922	27.87%	96.45%
12/31/19	0.04101599%	(1,294,937)	5,212,340	24.84%	102.96%
12/31/20	0.04064883%	(2,537,762)	5,592,702	45.38%	105.26%

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 378,253	\$ 378,253	\$ -	\$ 4,861,923	7.78%
12/31/16	373,731	373,731	-	4,932,900	7.58%
12/31/17	408,004	408,004	-	5,032,874	8.11%
12/31/18	421,319	421,319	-	5,117,922	8.23%
12/31/19	387,006	387,006	-	4,858,531	7.97%
12/31/20	477,233	477,233	-	5,592,656	8.53%
12/31/21	487,673	487,673	-	5,689,239	8.57%

See Notes to Required Supplementary Information.

CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 MEASUREMENT PERIODS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered - Employee Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.12765800%	\$ 384,069	\$ 5,368,384	7.15%	44.81%
12/31/18	0.13492800%	348,160	4,724,000	7.37%	48.69%
12/31/19	0.14920500%	608,517	4,559,000	13.35%	37.58%
12/31/20	0.10966400%	603,231	4,662,000	12.94%	31.36%

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

City Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 15,127	\$ 15,127	\$ -	\$ 4,724,000	0.32%
12/31/19	18,124	18,124	-	4,559,000	0.40%
12/31/20	19,653	19,653	-	4,662,000	0.42%
12/31/21	2,649	2,649	-	5,689,239	0.05%

See Notes to Required Supplementary Information.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

NOTE 1 OTHER POSTEMPLOYMENT BENEFITS

Single Employer Defined OPEB Plan

Changes of benefit terms. There were no changes of benefit terms. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Changes of Assumptions

The discount rate used as part of the actuarial assumptions changed from the prior year. Please refer to the Actuarial Assumptions section of Note 3 H.1.

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

NOTE 2 WISCONSIN RETIREMENT SYSTEM

Changes of Benefit Terms

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

Changes of Assumptions

No significant change in assumptions were noted from the prior year.

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

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund (LRLIF)

Changes of benefit terms. There were no changes of benefit terms for any participating employer in LRLIF.

Changes of Assumptions

Several actuarial assumptions changed from the prior year, including the discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions section of Note 3 H.2.

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

SUPPLEMENTARY INFORMATION

**CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
TAXES				
General Property	\$ 3,525,490	\$ 3,525,490	\$ 3,525,490	\$ -
Pubic Accommodation (Room) Taxes	95,000	95,000	90,049	(4,951)
Interest and Penalties	50	50	83	33
Total Taxes	3,620,540	3,620,540	3,615,622	(4,918)
INTERGOVERNMENTAL				
State:				
State Shared Taxes	2,689,470	2,689,470	2,677,240	(12,230)
Personal Property Tax	14,881	14,881	14,647	(234)
Exempt Computer State Aid	11,395	11,395	11,395	-
Fire Insurance	50,000	50,000	43,596	(6,404)
Other Public Safety	4,000	4,000	13,158	9,158
Law Enforcement Grants	3,000	3,000	3,370	370
General Transportation Aid	817,460	817,460	816,490	(970)
Other State Grants	28,472	28,472	57,792	29,320
County Aid- Libraries	115,500	115,500	116,945	1,445
Total Intergovernmental	3,734,178	3,734,178	3,754,633	20,455
LICENSES AND PERMITS				
Licenses:				
Liquor and Malt Beverage	16,500	16,500	17,530	1,030
Bartender Operator's Licenses	6,000	6,000	7,360	1,360
Cigarette Licenses	1,000	1,000	1,200	200
Cable Television Fees	105,000	105,000	110,035	5,035
Bicycle Licenses	9	9	12	3
Other Business	2,800	2,800	4,615	1,815
Dog and Cat	1,700	1,700	1,729	29
Permits:				
Building	165,000	165,000	182,732	17,732
Plumbing	30,000	30,000	29,158	(842)
Inspection Administration Fees	-	-	300	300
Electrician	25,000	25,000	32,596	7,596
Occupancy	40,000	40,000	22,860	(17,140)
Other Permits	1,060	1,060	1,520	460
Zoning Fees	10,000	10,000	11,040	1,040
Total Licenses and Permits	404,069	404,069	422,687	18,618

CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
FINES AND FORFEITS				
Court Penalties and Costs	\$ 117,000	\$ 117,000	\$ 110,091	\$ (6,909)
Parking Violations	22,000	22,000	15,006	(6,994)
Total Fines and Forfeits	139,000	139,000	125,097	(13,903)
PUBLIC CHARGES FOR SERVICES				
Clerk's Fees	3,000	3,000	10,771	7,771
Publication Fees	600	600	336	(264)
Police Department Fees	4,600	4,600	6,124	1,524
Fire department Fees	110,000	110,000	122,729	12,729
Ambulance Fees	479,800	479,800	478,704	(1,096)
Other Public Safety	3,000	3,000	8,514	5,514
Library	17,000	17,000	15,496	(1,504)
County Highway Maintenance and Construction	-	-	1,114	1,114
Recreation Programs	216,400	216,400	270,570	54,170
Senior Center	5,240	5,240	3,088	(2,152)
Total Public Charges for Services	839,640	839,640	917,446	77,806
MISCELLANEOUS				
Interest Income	30,100	30,100	6,539	(23,561)
Rental Income	96,000	96,000	117,390	21,390
Donations	-	-	34,155	34,155
Third Party Reimbursement	510,000	510,000	501,730	(8,270)
Other Miscellaneous Revenue	145,813	145,813	127,717	(18,096)
Total Miscellaneous	781,913	781,913	787,531	5,618
Total Revenues	<u>\$ 9,519,340</u>	<u>\$ 9,519,340</u>	<u>\$ 9,623,016</u>	<u>\$ 103,676</u>

**CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Mayor, Council, and Boards	\$ 45,863	\$ 45,863	\$ 44,182	\$ 1,681
Administrator	418,129	418,129	469,076	(50,947)
Elections	150,944	150,944	104,914	46,030
Treasurer	129,147	129,147	112,692	16,455
Assessor	55,000	55,000	44,008	10,992
Legal	145,000	145,000	200,213	(55,213)
Municipal Court	48,000	48,000	40,282	7,718
Insurance	268,895	268,895	266,990	1,905
Building and Plant	80,716	80,716	116,733	(36,017)
Total General Government	1,341,694	1,341,694	1,399,090	(57,396)
PUBLIC SAFETY				
Police	3,343,654	3,343,654	3,331,762	11,892
Patrol Operations	45,017	45,017	39,257	5,760
Fire Protection	382,191	382,191	449,480	(67,289)
Emergency Government	152,453	152,453	174,563	(22,110)
Ambulance	397,124	397,124	334,936	62,188
Inspection	1,250	1,250	3,322	(2,072)
Maintenance	31,068	31,068	30,368	700
Total Public Safety	4,352,757	4,352,757	4,363,688	(10,931)
PUBLIC WORKS				
Administration	92,690	92,690	92,845	(155)
Engineering	194,693	194,693	213,224	(18,531)
Shop Operations	67,300	67,300	65,033	2,267
Machinery Operation and Maintenance	456,183	456,183	439,197	16,986
Building and Grounds Operations	-	-	3,125	(3,125)
Garages and Sheds	54,997	54,997	51,593	3,404
Highway and Street Maintenance	295,800	295,800	296,027	(227)
Street Signs	109,350	109,350	109,395	(45)
Street Clearing	50,000	50,000	49,054	946
Street Lighting	248,211	248,211	250,475	(2,264)
Sidewalks	2,000	2,000	2,000	-
Storm Sewer Maintenance	83,210	83,210	86,496	(3,286)
Tree and Brush Removal	192,225	192,225	193,342	(1,117)
Snow and Ice Removal	59,200	59,200	141,766	(82,566)
Refuse and Garbage Collection	505,560	505,560	418,637	86,923
Recycling	8,015	8,015	12,756	(4,741)
Weed Control	36,000	36,000	37,748	(1,748)
Total Public Works	2,455,434	2,455,434	2,462,713	(7,279)
HEALTH AND HUMAN SERVICES				
Public Health Services	9,200	9,200	7,053	2,147

CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
CULTURE AND RECREATION				
Library	606,277	606,277	652,293	(46,016)
Museum	1,650	1,650	1,654	(4)
Yoga and More	9,112	9,112	5,600	3,512
Community Center	129,391	129,391	143,400	(14,009)
Cable Television	24,500	24,500	33,317	(8,817)
Parks	409,596	409,596	469,425	(59,829)
Recreation Programs and Events	20,028	20,028	28,197	(8,169)
Recreation Administration	152,224	152,224	216,993	(64,769)
School Year Recreation	46,139	46,139	41,574	4,565
Celebration and Entertainment	22,545	22,545	81,380	(58,835)
Playgrounds	16,512	16,512	16,845	(333)
Summer Theater	26,462	26,462	-	26,462
Swimming	151,093	151,093	186,620	(35,527)
Golf Courses	6,055	6,055	1,870	4,185
Other Summer Recreation	2,200	2,200	12,146	(9,946)
Winter Sports Areas	3,952	3,952	1,401	2,551
Stadium	14,911	14,911	29,250	(14,339)
Education	1,022	1,022	-	1,022
Total Culture and Recreation	1,643,669	1,643,669	1,921,965	(278,296)
CONVERSATION AND DEVELOPMENT				
Community Development	156,586	156,586	151,335	5,251
CAPITAL OUTLAY				
Law Enforcement	-	-	2,435	(2,435)
Parks	10,000	10,000	-	10,000
Other Culture and Recreation	-	-	9,401	(9,401)
Total Capital Outlay	10,000	10,000	11,836	(1,836)
 Total Expenditures	 \$ 9,969,340	 \$ 9,969,340	 \$ 10,317,680	 \$ (348,340)

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Special Revenue							
	Marina	Revolving Loan	Library	Tourism	Open Spaces	Tree Replacement	Payments to Townships	Senior Center
ASSETS								
Cash and Investments	\$ 603,659	\$ 431,102	\$ 116,356	\$ 6,099	\$ 390,329	\$ 101,777	\$ 1,395	\$ 36,255
Receivables:								
Taxes and Special Charges	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	250
Loans	-	392,281	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Total Assets	\$ 603,659	\$ 823,383	\$ 116,356	\$ 6,099	\$ 390,329	\$ 101,777	\$ 1,395	\$ 36,505
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 12,374	\$ -	\$ -	\$ -	\$ 5,332	\$ -	\$ -	\$ 7,106
Accrued and Other Current Liabilities	1,561	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenues	141,233	-	-	-	-	-	-	8,963
Total liabilities	155,168	-	-	-	5,332	-	-	16,069
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year	-	-	-	-	-	-	-	-
Unavailable Revenue for Other	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-
FUND BALANCES								
Restricted	-	823,383	116,356	-	-	-	-	-
Committed	448,491	-	-	6,099	384,997	101,777	1,395	20,436
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	448,491	823,383	116,356	6,099	384,997	101,777	1,395	20,436
Total liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 603,659	\$ 823,383	\$ 116,356	\$ 6,099	\$ 390,329	\$ 101,777	\$ 1,395	\$ 36,505

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2021**

	Special Revenue (continued)					Capital Projects		
	Recycling/ Garbage	Environmental Planning	Waterfront Safety	Marina Special Events	ARPA Fund	2018 Capital Improvements	2019 Capital Borrowing	Franklin Street Streetscape
ASSETS								
Cash and Investments	\$ 93,100	\$ -	\$ 152	\$ 9,512	\$ 619,448	\$ -	\$ -	\$ 42,241
Receivables:								
Taxes and Special Charges	223,736	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 316,836</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 9,512</u>	<u>\$ 619,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,241</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 41,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and Other Current Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	149	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	623,354	-	-	-
Total liabilities	<u>41,133</u>	<u>149</u>	<u>-</u>	<u>-</u>	<u>623,354</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year	223,736	-	-	-	-	-	-	-
Unavailable Revenue for Other	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>223,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	42,241
Committed	51,967	-	-	9,512	-	-	-	-
Assigned	-	-	152	-	-	-	-	-
Unassigned	-	(149)	-	-	(3,906)	-	-	-
Total Fund Balances	<u>51,967</u>	<u>(149)</u>	<u>152</u>	<u>9,512</u>	<u>(3,906)</u>	<u>-</u>	<u>-</u>	<u>42,241</u>
Total liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 316,836</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 9,512</u>	<u>\$ 619,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,241</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2021**

Capital Projects (continued)

	Coal Dock Project	TID No. 2	TID No. 3	2018 Capital Borrowing	TID No. 4	Total
ASSETS						
Cash and Investments	\$ 49,798	\$ 366,929	\$ -	\$ -	\$ -	\$ 2,868,152
Receivables:						
Taxes and Special Charges	-	-	-	-	-	223,736
Accounts	-	-	-	-	280,000	280,250
Loans	-	-	-	-	-	392,281
Due from Other Funds	-	92,933	-	-	-	92,933
Total Assets	<u>\$ 49,798</u>	<u>\$ 459,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 3,857,352</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,945
Accrued and Other Current Liabilities	-	-	-	-	-	1,561
Due to Other Funds	-	-	92,933	-	1,275	94,357
Unearned Revenues	-	-	-	-	-	773,550
Total liabilities	-	-	92,933	-	1,275	935,413
DEFERRED INFLOWS OF RESOURCES						
Property Taxes Levied for Subsequent Year	-	-	-	-	-	223,736
Unavailable Revenue for Other	-	-	-	-	280,000	280,000
Total Deferred Inflows of Resources	-	-	-	-	280,000	503,736
FUND BALANCES						
Restricted	49,798	459,862	-	-	-	1,491,640
Committed	-	-	-	-	-	1,024,674
Assigned	-	-	-	-	-	152
Unassigned	-	-	(92,933)	-	(1,275)	(98,263)
Total Fund Balances	<u>49,798</u>	<u>459,862</u>	<u>(92,933)</u>	<u>-</u>	<u>(1,275)</u>	<u>2,418,203</u>
Total liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 49,798</u>	<u>\$ 459,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 3,857,352</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Special Revenue							
	Marina	Revolving Loan	Library	Tourism	Open Spaces	Tree Replacement	Payments to Townships	Senior Center
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ 198,107	\$ -	\$ -	\$ -	\$ -
Intergovernmental	616	-	-	-	-	-	-	-
Public Charges for Services	1,310,709	-	31,856	-	-	-	-	34,196
Miscellaneous	10,920	11,577	60	-	87,833	-	-	8,939
Total Revenues	1,322,245	11,577	31,916	198,107	87,833	-	-	43,135
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	-	1,021	-
Public Works	-	-	-	-	-	-	-	-
Culture and Recreation	920,580	-	29,784	-	37,317	-	-	47,226
Conservation and Development	-	2,000	-	245,663	-	7,377	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	920,580	2,000	29,784	245,663	37,317	7,377	1,021	47,226
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	401,665	9,577	2,132	(47,556)	50,516	(7,377)	(1,021)	(4,091)
OTHER FINANCING USES								
Transfers Out	(250,608)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	151,057	9,577	2,132	(47,556)	50,516	(7,377)	(1,021)	(4,091)
Fund Balances - January 1	297,434	813,806	114,224	53,655	334,481	109,154	2,416	24,527
FUND BALANCES - DECEMBER 31	<u>\$ 448,491</u>	<u>\$ 823,383</u>	<u>\$ 116,356</u>	<u>\$ 6,099</u>	<u>\$ 384,997</u>	<u>\$ 101,777</u>	<u>\$ 1,395</u>	<u>\$ 20,436</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Special Revenue (continued)					Capital Projects		
	Recycling/ Garbage	Environmental Planning	Waterfront Safety	Marina Special Events	ARPA Fund	2018 Capital Improvements	2019 Capital Borrowing	Franklin Street Streetscape
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,272	-	-	-	-	-	-	-
Public Charges for Services	178,326	-	-	-	-	-	-	-
Miscellaneous	-	1,649	-	-	4,506	797,130	774	37
Total Revenues	197,598	1,649	-	-	4,506	797,130	774	37
EXPENDITURES								
Current:								
General Government	-	-	-	-	8,412	-	-	-
Public Works	182,840	9,235	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-
Conservation and Development	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	122,768	4,374
Total Expenditures	182,840	9,235	-	-	8,412	-	122,768	4,374
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,758	(7,586)	-	-	(3,906)	797,130	(121,994)	(4,337)
OTHER FINANCING USES								
Transfers Out	-	-	-	-	-	(1,202,083)	(774,925)	-
NET CHANGE IN FUND BALANCES	14,758	(7,586)	-	-	(3,906)	(404,953)	(896,919)	(4,337)
Fund Balances - January 1	37,209	7,437	152	9,512	-	404,953	896,919	46,578
FUND BALANCES - DECEMBER 31	<u>\$ 51,967</u>	<u>\$ (149)</u>	<u>\$ 152</u>	<u>\$ 9,512</u>	<u>\$ (3,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,241</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Capital Projects (continued)						
	Coal Dock Project	TID No. 2	TID No. 3	2018 Capital Borrowing	TID No. 4	Total
REVENUES						
Taxes	\$ -	\$ 304,680	\$ 41,709	\$ -	\$ -	\$ 544,496
Intergovernmental	-	16,055	4,861	-	-	40,804
Public Charges for Services	-	-	-	-	-	1,555,087
Miscellaneous	-	-	-	6	-	923,431
Total Revenues	-	320,735	46,570	6	-	3,063,818
EXPENDITURES						
Current:						
General Government	-	47,204	-	-	-	56,637
Public Works	-	-	-	-	-	192,075
Culture and Recreation	-	-	-	-	-	1,034,907
Conservation and Development	-	-	6,977	-	-	262,017
Debt Service:						
Principal	-	244,507	50,000	-	-	294,507
Interest and Fiscal Charges	-	36,077	9,501	-	-	45,578
Capital Outlay	-	-	-	-	-	127,142
Total Expenditures	-	327,788	66,478	-	-	2,012,863
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(7,053)	(19,908)	6	-	1,050,955
OTHER FINANCING USES						
Transfers Out	-	-	-	(52,443)	-	(2,280,059)
NET CHANGE IN FUND BALANCES	-	(7,053)	(19,908)	(52,437)	-	(1,229,104)
Fund Balances - January 1	49,798	466,915	(73,025)	52,437	(1,275)	3,647,307
FUND BALANCES - DECEMBER 31	<u>\$ 49,798</u>	<u>\$ 459,862</u>	<u>\$ (92,933)</u>	<u>\$ -</u>	<u>\$ (1,275)</u>	<u>\$ 2,418,203</u>

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council
City of Port Washington
Port Washington, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Washington, Wisconsin, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City of Port Washington's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
June 21, 2022

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

Section I – Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2021-001	Adjustments to the City's Financial Records
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements. In addition, we also proposed multiple prior period adjustments.
Criteria or Specific Requirement:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Effect:	Year-end financial records prepared by the City may contain material misstatements.
Cause:	Capital asset and inventory adjustments necessary to properly report the financial activities of enterprise funds take additional time to determine due to tracking of work order activity and are done during the audit. In addition, various year-end journal entries for accrued payroll, accounts payable, and accounts receivable were not recorded. Prior period adjustments that were proposed are disclosed in Note 4.D.
Recommendation:	We recommend the City review procedures related to the tracking of inventory and work orders of proprietary funds. We also recommend that the City create a year-end closing checklist to determine that all appropriate year-end journal entries have been recorded.
Views of Responsible Officials and Corrective Action Plan:	The Finance team will continue to review adjusting and closing entries, as well as work to implement a month-end/year-end close process with the goal of reducing the number and significance of audit adjustments that are proposed to the City's financial records.

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

Section I – Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2021-002	Preparation of the Annual Financial Report
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the City had implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate. Management reviews the financial statements and takes responsibility.
Criteria or Specific Requirement:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.
Effect:	The City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Recommendation:	We recommend the City continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledgeable of the City's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report.
Views of Responsible Officials and Corrective Action Plan:	Management believes that the cost of hiring additional staff to prepare year-end financial statement entries and to prepare financial reports outweigh the benefits to be received. Management will continue to review the financial statements and information prior to issuance.

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

Section I – Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2021-003	Segregation of Duties
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	The City has a limited number of employees to essentially complete all financial and recordkeeping duties of the City. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Criteria or Specific Requirement:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensure that no single employee has control over all phases of a transaction.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Cause:	The lack of segregation of duties is due to the limited number of employees.
Recommendation:	We recommend that Management and the City Council continue to be aware of this condition and that they continue to monitor the transactions and the financial records of the City. We recommend the City perform a risk assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud.
Views of Responsible Officials and Corrective Action Plan:	Management and the Council are conscious of the City's staffing limitations. Management and the Council will continue to monitor the transactions and financial records of the City. Management and the Finance Department will continue to evaluate procedures including opportunities to improve segregation of duties and the internal control structure.