

**CITY OF PORT WASHINGTON, WISCONSIN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://CLAconnect.com)

**CITY OF PORT WASHINGTON, WISCONSIN  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>6</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>7</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>8</b>
<b>RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF             NET POSITION OF THE GOVERNMENTAL ACTIVITIES</b>	<b>9</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND             BALANCES – GOVERNMENTAL FUNDS</b>	<b>10</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,             EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE             CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES</b>	<b>11</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND             BALANCES – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>12</b>
<b>STATEMENT OF NET POSITION – PROPRIETARY FUNDS</b>	<b>13</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET             POSITION – PROPRIETARY FUNDS</b>	<b>15</b>
<b>STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS</b>	<b>16</b>
<b>STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND</b>	<b>18</b>
<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY             FUND</b>	<b>19</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>20</b>

**CITY OF PORT WASHINGTON, WISCONSIN  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – SINGLE EMPLOYER PLAN</b>	<b>65</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) – WISCONSIN RETIREMENT SYSTEM</b>	<b>66</b>
<b>SCHEDULE OF CONTRIBUTIONS – WISCONSIN RETIREMENT SYSTEM</b>	<b>66</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) – LOCAL RETIREE LIFE INSURANCE FUND</b>	<b>67</b>
<b>SCHEDULE OF CONTRIBUTIONS – LOCAL RETIREE LIFE INSURANCE FUND</b>	<b>67</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>68</b>

**SUPPLEMENTARY INFORMATION**

**GENERAL FUND**

<b>DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES</b>	<b>71</b>
<b>DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES</b>	<b>73</b>
<b>COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>75</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>78</b>

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

<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>82</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>84</b>



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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 August 22, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Sheboygan, Wisconsin  
August 22, 2023

## **BASIC FINANCIAL STATEMENTS**



**CITY OF PORT WASHINGTON, WISCONSIN**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Totals	Component Unit BID
<b>ASSETS</b>				
Cash and Investments	\$ 13,792,013	\$ 6,951,963	\$ 20,743,976	\$ 7,667
Receivables:				
Taxes and Special Charges	4,820,752	-	4,820,752	72,342
Delinquent Taxes	17,319	-	17,319	-
Accounts	825,514	1,190,028	2,015,542	-
Leases	474,745	359,397	834,142	-
Loans	959,991	-	959,991	-
Internal Balances	(110,316)	110,316	-	-
Prepaid Items	39,369	37,254	76,623	-
Restricted and Other Assets:				
Cash and Investments	-	4,096,201	4,096,201	-
Net Pension Asset	2,770,647	540,534	3,311,181	-
Capital Assets, Nondepreciable	6,012,549	2,655,285	8,667,834	-
Capital Assets, Depreciable, Net	44,221,718	34,503,089	78,724,807	-
Total Assets	73,824,301	50,444,067	124,268,368	80,009
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Amounts	5,435,419	1,055,755	6,491,174	-
Net Other Postemployment Benefit Related Amounts	476,074	102,755	578,829	-
Total Deferred Outflows of Resources	5,911,493	1,158,510	7,070,003	-
<b>LIABILITIES</b>				
Accounts Payable	2,007,138	85,413	2,092,551	-
Accrued and Other Current Liabilities	1,716,100	-	1,716,100	-
Due to Other Governments	72,342	-	72,342	-
Accrued Interest Payable	259,090	47,872	306,962	-
Unearned Revenues	1,305,379	-	1,305,379	-
Long-Term Obligations:				
Due Within One Year	3,725,443	695,735	4,421,178	-
Due in More than One Year	29,239,483	10,188,464	39,427,947	-
Net Other Postemployment Benefits Liability				
Due Within One Year	85,578	21,019	106,597	-
Due in More than One Year	1,189,290	259,504	1,448,794	-
Total Liabilities	39,599,843	11,298,007	50,897,850	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Levied for Subsequent Year	8,041,626	-	8,041,626	72,342
Lease Related	474,745	359,397	834,142	-
Pension Related Amounts	6,523,799	1,272,748	7,796,547	-
Other Postemployment Benefit Related Amounts	470,954	109,046	580,000	-
Total Deferred Inflows of Resources	15,511,124	1,741,191	17,252,315	72,342
<b>NET POSITION</b>				
Net Investment in Capital Assets	18,127,771	28,493,073	46,620,844	-
Restricted:				
Loan Programs	834,095	-	834,095	-
Library	124,205	-	124,205	-
Tax Incremental District Development	1,219,480	-	1,219,480	-
Capital Projects	193,149	-	193,149	-
Debt Service	-	1,684,900	1,684,900	-
Equipment Replacement	-	1,234,804	1,234,804	-
Other	15,575	-	15,575	-
Pension Benefits	2,770,647	540,534	3,311,181	-
Unrestricted	1,339,905	6,610,068	7,949,973	7,667
Total Net Position	\$ 24,624,827	\$ 38,563,379	\$ 63,188,206	\$ 7,667

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

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 Unit BID
Governmental Activities:								
General Government	\$ 2,359,231	\$ 211,672	\$ -	\$ -	\$ (2,147,559)	\$ -	\$ (2,147,559)	\$ -
Public Safety	4,718,000	719,988	124,928	-	(3,873,084)	-	(3,873,084)	-
Public Works	5,127,921	355,179	858,702	82,703	(3,831,337)	-	(3,831,337)	-
Health and Human Services	5,985	-	-	-	(5,985)	-	(5,985)	-
Culture and Recreation	2,624,411	1,927,921	198,243	324,388	(173,859)	-	(173,859)	-
Conservation and Development	760,760	95,726	15,263	-	(649,771)	-	(649,771)	-
Interest and Fiscal Charges	614,762	-	-	-	(614,762)	-	(614,762)	-
Total Governmental Activities	16,211,070	3,310,486	1,197,136	407,091	(11,296,357)	-	(11,296,357)	-
Business-Type Activities:								
Water Utility	2,551,114	3,206,973	-	39,223	-	695,082	695,082	-
Wastewater Utility	1,903,967	2,750,747	-	112,263	-	959,043	959,043	-
Total Business-Type Activities	4,455,081	5,957,720	-	151,486	-	1,654,125	1,654,125	-
Total	<u>\$ 20,666,151</u>	<u>\$ 9,268,206</u>	<u>\$ 1,197,136</u>	<u>\$ 558,577</u>	(11,296,357)	1,654,125	(9,642,232)	-
Component Unit:								
BID	84,110	-	-	-	-	-	-	(84,110)
<b>GENERAL REVENUES</b>								
Taxes:								
Property Taxes					6,604,773	-	6,604,773	-
Tax Increments					426,666	-	426,666	-
Other Taxes					380,040	-	380,040	-
Federal and State Grants and Other Contributions not Restricted to Specific Functions					2,820,003	-	2,820,003	-
Interest and Investment Earnings					179,880	101,730	281,610	50
Miscellaneous					700,247	84,022	784,269	71,204
<b>TRANSFERS</b>					617,088	(617,088)	-	-
Total General Revenues and Transfers					11,728,697	(431,336)	11,297,361	71,254
<b>CHANGE IN NET POSITION</b>					432,340	1,222,789	1,655,129	(12,856)
Net Position - Beginning of Year					24,192,487	37,340,590	61,533,077	20,523
<b>NET POSITION - END OF YEAR</b>					<u>\$ 24,624,827</u>	<u>\$ 38,563,379</u>	<u>\$ 63,188,206</u>	<u>\$ 7,667</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	2022 Capital Borrowing	Other Governmental Funds	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 6,983,972	\$ -	\$ 2,017,675	\$ 4,790,366	\$ 13,792,013
Receivables:					
Taxes and Special Charges	-	3,330,507	-	1,490,245	4,820,752
Delinquent Taxes	17,319	-	-	-	17,319
Accounts	433,830	-	-	391,684	825,514
Leases	474,745	-	-	-	474,745
Loans	641,073	-	-	318,918	959,991
Due from Other Funds	652,313	-	-	-	652,313
Prepaid Items	39,369	-	-	-	39,369
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 9,242,621</u>	<u>\$ 3,330,507</u>	<u>\$ 2,017,675</u>	<u>\$ 6,991,213</u>	<u>\$ 21,582,016</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 301,624	\$ -	\$ 1,190,030	\$ 515,484	\$ 2,007,138
Accrued and Other Current Liabilities	1,716,100	-	-	-	1,716,100
Due to Other Funds	110,316	154,966	-	497,347	762,629
Due to Other Governments	72,342	-	-	-	72,342
Unearned Revenues	26,649	-	-	1,278,730	1,305,379
Total Liabilities	<u>2,227,031</u>	<u>154,966</u>	<u>1,190,030</u>	<u>2,291,561</u>	<u>5,863,588</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes Levied for Subsequent Year	3,204,889	3,346,492	-	1,490,245	8,041,626
Lease Related	474,745	-	-	-	474,745
Unavailable Revenue for:					
Loans Receivable	641,073	-	-	-	641,073
Other	-	-	-	361,012	361,012
Total Deferred Inflows of Resources	<u>4,320,707</u>	<u>3,346,492</u>	<u>-</u>	<u>1,851,257</u>	<u>9,518,456</u>
<b>FUND BALANCES</b>					
Nonspendable	541,264	-	-	-	541,264
Restricted	-	-	827,645	2,386,504	3,214,149
Committed	-	-	-	926,432	926,432
Unassigned	2,153,619	(170,951)	-	(464,541)	1,518,127
Total Fund Balances	<u>2,694,883</u>	<u>(170,951)</u>	<u>827,645</u>	<u>2,848,395</u>	<u>6,199,972</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,242,621</u>	<u>\$ 3,330,507</u>	<u>\$ 2,017,675</u>	<u>\$ 6,991,213</u>	<u>\$ 21,582,016</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, 2022**

Total Fund Balances as Shown on Previous Page	\$ 6,199,972
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.	50,234,267
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	1,002,085
Long-term assets are not current financial resources; therefore, are not reported in the funds.	
Net Pension Asset	2,770,647
Some deferred outflows and inflows of resources are not reported in the funds.	
Deferred Outflows Related to Pensions	5,435,419
Deferred Inflows Related to Pensions	(6,523,799)
Deferred Outflows Related to Other Postemployment Benefits	476,074
Deferred Inflows Related to Other Postemployment Benefits	(470,954)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and Notes Payable	(30,946,095)
Premium on Debt	(739,267)
Compensated Absences	(1,279,564)
Net Other Postemployment Benefit Liability	(1,274,868)
Accrued Interest on Long-Term Obligations	(259,090)
	<hr/>
Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 24,624,827</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, 2022**

	General	Debt Service	2022 Capital Borrowing	Other Governmental Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 3,124,008	\$ 3,041,218	\$ -	\$ 1,231,372	\$ 7,396,598
Special Assessments	-	1,691	-	-	1,691
Intergovernmental	3,802,067	-	-	679,656	4,481,723
Licenses and Permits	347,887	-	-	-	347,887
Fines and Forfeits	85,468	-	-	-	85,468
Public Charges for Services	1,008,901	-	-	1,823,474	2,832,375
Intergovernmental Charges for Services	-	-	-	114,616	114,616
Miscellaneous	1,522,423	-	125,000	185,680	1,833,103
Total Revenues	9,890,754	3,042,909	125,000	4,034,798	17,093,461
<b>EXPENDITURES</b>					
Current:					
General Government	1,654,495	-	-	262,849	1,917,344
Public Safety	4,753,914	-	-	59,365	4,813,279
Public Works	2,442,436	-	-	261,263	2,703,699
Health and Human Services	11,876	-	-	-	11,876
Culture and Recreation	1,218,352	-	-	2,194,321	3,412,673
Conservation and Development	144,263	-	-	403,648	547,911
Debt Service:					
Principal	-	2,665,000	-	309,784	2,974,784
Interest and Fiscal Charges	-	581,493	81,228	40,832	703,553
Capital Outlay	9,230	-	3,129,036	991,779	4,130,045
Total Expenditures	10,234,566	3,246,493	3,210,264	4,523,841	21,215,164
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(343,812)	(203,584)	(3,085,264)	(489,043)	(4,121,703)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	-	-	3,700,000	922,960	4,622,960
Premium on Debt Issued	-	-	188,409	38,460	226,869
Proceeds from Sale of Capital Assets	-	-	24,500	-	24,500
Transfers In	467,088	204,800	-	200,000	871,888
Transfers Out	-	-	-	(254,800)	(254,800)
Total Other Financing Sources (Uses)	467,088	204,800	3,912,909	906,620	5,491,417
<b>NET CHANGE IN FUND BALANCES</b>	123,276	1,216	827,645	417,577	1,369,714
Fund Balances - Beginning of Year	2,571,607	(172,167)	-	2,430,818	4,830,258
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,694,883</u>	<u>\$ (170,951)</u>	<u>\$ 827,645</u>	<u>\$ 2,848,395</u>	<u>\$ 6,199,972</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, 2022**

Net Change in Fund Balances as Shown on Previous Page	\$	1,369,714
---	----	-----------

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

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

Capital Assets Reported as Expenditures in Governmental Fund Statements		3,577,948
Depreciation Expense Reported in the Statement of Activities		(1,965,079)

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.

(1,204,283)

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		(4,622,960)
Premium on Debt Issued		(226,869)
Principal Repaid		2,974,784

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		(85,436)
Amortization of Premiums		174,227
Compensated Absences		(186,451)
Net Pension Asset		657,414
Deferred Outflows of Resources Related to Pensions		1,913,975
Deferred Inflows of Resources Related to Pensions		(1,893,603)
Net Other Postemployment Benefits		(29,068)
Deferred Outflows of Resources Related to Other Postemployment Benefits		85,316
Deferred Inflows of Resources Related to Other Postemployment Benefits		(107,289)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities

\$ 432,340

**CITY OF PORT WASHINGTON, WISCONSIN  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 3,144,536	\$ 3,144,536	\$ 3,124,008	\$ (20,528)
Intergovernmental	3,651,434	3,651,434	3,802,067	150,633
Licenses and Permits	399,354	399,354	347,887	(51,467)
Fines and Forfeits	131,950	131,950	85,468	(46,482)
Public Charges for Services	1,073,477	1,073,477	1,008,901	(64,576)
Miscellaneous	725,969	725,969	1,522,423	796,454
Total Revenues	9,126,720	9,126,720	9,890,754	764,034
<b>EXPENDITURES</b>				
Current:				
General Government	1,377,730	1,377,730	1,654,495	(276,765)
Public Safety	4,560,483	4,560,483	4,753,914	(193,431)
Public Works	2,372,802	2,372,802	2,442,436	(69,634)
Health and Human Services	9,200	9,200	11,876	(2,676)
Culture and Recreation	1,142,067	1,142,067	1,218,352	(76,285)
Conservation and Development	139,438	139,438	144,263	(4,825)
Capital Outlay	-	-	9,230	(9,230)
Total Expenditures	9,601,720	9,601,720	10,234,566	(632,846)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(475,000)	(475,000)	(343,812)	131,188
<b>OTHER FINANCING SOURCES</b>				
Transfers In	475,000	475,000	467,088	(7,912)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	123,276	123,276
Fund Balance - Beginning of Year	2,571,607	2,571,607	2,571,607	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,571,607</u>	<u>\$ 2,571,607</u>	<u>\$ 2,694,883</u>	<u>\$ 123,276</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 3,132,958	\$ 3,819,005	\$ 6,951,963
Receivables:			
Customer Accounts	564,544	625,484	1,190,028
Leases	-	51,410	51,410
Due from Other Funds	-	110,316	110,316
Prepaid Items	-	37,254	37,254
Total Current Assets	3,697,502	4,643,469	8,340,971
<b>NONCURRENT ASSETS</b>			
Restricted and Other Assets:			
Cash and Investments	1,522,570	2,573,631	4,096,201
<b>OTHER ASSETS</b>			
Leases Receivable	-	307,987	307,987
Net Pension Asset	200,241	340,293	540,534
Total Noncurrent Assets	1,722,811	3,221,911	4,944,722
<b>CAPITAL ASSETS</b>			
Nondepreciable	1,455,274	1,200,011	2,655,285
Depreciable, Net	13,522,879	20,980,210	34,503,089
Total Capital Assets	14,978,153	22,180,221	37,158,374
 Total Assets	 20,398,466	 30,045,601	 50,444,067
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Amounts	389,953	665,802	1,055,755
Other Postemployment Benefit Related Amounts	33,997	68,758	102,755
Total Deferred Outflows of Resources	423,950	734,560	1,158,510

See accompanying Notes to Basic Financial Statements.



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

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 41,378	\$ 44,035	\$ 85,413
Current Portion of Compensated Absences	23,804	51,196	75,000
Current Portion of Net Other Postemployment Benefits Liability	6,005	15,014	21,019
Current Portion of General Obligation Debt	10,735	-	10,735
Payable from Restricted Assets:			
Current Portion of Revenue Bonds	100,000	510,000	610,000
Accrued Interest	11,660	36,212	47,872
Total Current Liabilities	193,582	656,457	850,039
<b>LONG-TERM OBLIGATIONS</b>			
Less Current Portion:			
General Obligation Debt	77,992	-	77,992
Revenue Bonds	1,602,887	8,349,510	9,952,397
Compensated Absences	31,370	126,705	158,075
Net Other Postemployment Benefits Liability	84,813	174,691	259,504
Total Long-Term Liabilities	1,797,062	8,650,906	10,447,968
Total Liabilities	1,990,644	9,307,363	11,298,007
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Lease Related	-	359,397	359,397
Pension Related Amounts	471,490	801,258	1,272,748
Other Postemployment Benefits Related Amounts	33,324	75,722	109,046
Total Deferred Inflows of Resources	504,814	1,236,377	1,741,191
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,324,305	15,168,768	28,493,073
Restricted:			
Debt Service	276,106	1,408,794	1,684,900
Equipment Replacement	1,234,804	-	1,234,804
Pension	200,241	340,293	540,534
Unrestricted	3,291,502	3,318,566	6,610,068
Total Net Position	\$ 18,326,958	\$ 20,236,421	\$ 38,563,379

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 2,739,609	\$ 3,043,585	\$ 5,783,194
Other	11,138	163,388	174,526
Total Operating Revenues	<u>2,750,747</u>	<u>3,206,973</u>	<u>5,957,720</u>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance	1,163,071	1,776,881	2,939,952
Depreciation	792,625	539,674	1,332,299
Total Operating Expenses	<u>1,955,696</u>	<u>2,316,555</u>	<u>4,272,251</u>
<b>OPERATING INCOME</b>	795,051	890,418	1,685,469
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Loss	(43,040)	(13,911)	(56,951)
Interest and Fiscal Charges	(38,551)	(181,262)	(219,813)
Miscellaneous	279,686	-	279,686
Total Nonoperating Revenues (Expenses)	<u>198,095</u>	<u>(195,173)</u>	<u>2,922</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	993,146	695,245	1,688,391
Capital Contributions	112,263	39,223	151,486
Transfers Out	<u>(211,140)</u>	<u>(405,948)</u>	<u>(617,088)</u>
<b>CHANGE IN NET POSITION</b>	894,269	328,520	1,222,789
Net Position - Beginning of Year	<u>17,432,689</u>	<u>19,907,901</u>	<u>37,340,590</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 18,326,958</u>	<u>\$ 20,236,421</u>	<u>\$ 38,563,379</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 2,950,790	\$ 3,182,991	\$ 6,133,781
Cash Paid for Employee Wages and Benefits	(794,999)	(1,213,582)	(2,008,581)
Cash Paid to Suppliers	(546,573)	(535,305)	(1,081,878)
Net Cash Provided by Operating Activities	1,609,218	1,434,104	3,043,322
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Due To/From Other Funds	-	(27,085)	(27,085)
Advance To/From Other Funds	-	464,735	464,735
Transfer Out	(211,140)	(405,948)	(617,088)
Net Cash Provided (Used) by Noncapital Financing Activities	(211,140)	31,702	(179,438)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(1,682,162)	(1,259,290)	(2,941,452)
Capital Contributions	112,263	39,223	151,486
Lease Payments Received	-	(53,394)	(53,394)
Principal Paid on Long-Term Debt	(100,175)	(495,000)	(595,175)
Interest Paid on Long-Term Debt	(60,076)	(213,629)	(273,705)
Net Cash Used by Capital and Related Financing Activities	(1,730,150)	(1,982,090)	(3,712,240)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	(43,040)	(13,911)	(56,951)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(375,112)	(530,195)	(905,307)
Cash and Cash Equivalents - Beginning of Year	5,030,640	6,922,831	11,953,471
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,655,528</u>	<u>\$ 6,392,636</u>	<u>\$ 11,048,164</u>

See accompanying Notes to Basic Financial Statements.

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

	Enterprise Funds		
	Wastewater Utility	Water Utility	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 795,051	\$ 890,418	\$ 1,685,469
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	792,625	539,674	1,332,299
Depreciation Charged to Sewer Utility	(39,110)	39,110	-
Miscellaneous Revenue	279,686	-	279,686
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources:			
Net Pension Asset/Liability	(39,944)	(76,061)	(116,005)
Deferred Outflows Related to Pension	(122,672)	(225,109)	(347,781)
Deferred Inflows Related to Pension	120,272	222,314	342,586
Net Other Postemployment Benefits Liability	(90,764)	74,723	(16,041)
Deferred Outflows Related to Other Postemployment Benefits	14,892	(28,914)	(14,022)
Deferred Inflows Related to Other Postemployment Benefits	(20,603)	42,588	21,985
Change in Deferred Inflows from Leases	-	53,394	53,394
Change in Operating Assets and Liabilities:			
Accounts Receivables	(79,643)	(77,376)	(157,019)
Prepaid Items	-	(11,073)	(11,073)
Accounts Payable	(8,845)	16,407	7,562
Accrued and Other Current Liabilities	(4,797)	(15,896)	(20,693)
Compensated Absences	13,070	(10,095)	2,975
Net Cash Provided by Operating Activities	<u>\$ 1,609,218</u>	<u>\$ 1,434,104</u>	<u>\$ 3,043,322</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
Cash and Cash Equivalents in Current Assets	\$ 3,132,958	\$ 3,819,005	\$ 6,951,963
Cash and Cash Equivalents in Restricted Assets	1,522,570	2,573,631	4,096,201
Total Cash and Cash Equivalents	<u>\$ 4,655,528</u>	<u>\$ 6,392,636</u>	<u>\$ 11,048,164</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2022**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 5,987,755
Receivables:	
Taxes	<u>8,132,837</u>
Total Assets	<u>14,120,592</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Year	<u>14,120,592</u>
 <b>NET POSITION</b>	
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, 2022**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ADDITIONS</b>	
Taxes and Special Charges Collected	\$ 14,078,550
<b>DEDUCTIONS</b>	
Payments to Other Taxing Jurisdictions	<u>14,078,550</u>
<b>CHANGES IN NET POSITION</b>	-
Net Position - Beginning of Year	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ -</u></u>

*See accompanying Notes to Basic Financial Statements.*

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 Unit

*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, 2022. The BID does not issue separate financial statements.

**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 2022 was 6.21%.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Joint Venture (Continued)**

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, 2022, 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.

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.



**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

2022 Capital Borrowing

This fund is used to account for and report financial resources to be used for construction projects related to the 2022 capital borrowing.

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.

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.

- 2019 Capital Borrowing
- Franklin Street Streetscape
- Coal Dock Project
- TID No. 2
- TID No. 3
- 2021 Capital Borrowing
- Breakwater Project
- TID No. 4

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Additionally, the City reports the following fund types:

- 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.

**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, 2022**

**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 of \$433,830 have been reported in the general fund net of an allowance for uncollectible accounts. Of this amount \$335,845 related to general accounts receivable and \$97,985 relates to emergency medical service billings. The City recognized an allowance of \$371,711 related to emergency medical service receivables.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**4. 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.

**5. Leases Receivable**

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

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

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

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**5. Leases Receivable (Continued)**

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

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

**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, 2022**

**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 assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets 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, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**10. 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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**12. 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, 2022, 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 member 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, 2022**

**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, 2022**

**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.

**G. Adoption of New Accounting Standards**

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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.
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 \$632,846 for the fiscal year ended December 31, 2022.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)**

**B. Excess of Expenditures Over Budget Appropriations**

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

Fund	Excess Expenditures
General Fund:	
General Government	\$ 276,765
Public Safety	193,431
Public Works	69,634
Health and Human Services	2,676
Culture and Recreation	76,285
Conservation and Development	4,825
Capital Outlay	9,230

**C. Deficit Fund Equity**

The following funds had deficit fund balances as of December 31, 2022:

Fund	Deficit Fund Balance
Debt Service	\$ 170,951
2021 Capital Borrowing	91,563
Breakwater Project	329,610
Tourism	8
TID No. 3	134,923

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 2022 and 2023 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2022 budget was 3.09%. The actual limit for the City for the 2023 budget was 2.47%. 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.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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.

The carrying amount of the City's cash and investments totaled \$30,827,932 on December 31, 2022 as summarized below:

Petty Cash and Cash on Hand	\$ 2,510
Deposits with Financial Institutions	20,039,036
Investments:	
U.S. Treasury	2,141,721
State and Municipal Bonds	1,044,657
Negotiable Certificates of Deposits	1,506,542
Mutual Bond Funds	423,946
Federal Farm Credit Bank	590,504
Federal Home Loan Bank	541,547
Wisconsin Local Government Investment Pool	4,537,469
Total	<u>\$ 30,827,932</u>

**Reconciliation to the basic financial statements:**

Government-Wide Statement of Net Position:	
Cash and Other Investments	\$ 20,743,976
Restricted Cash and Investments	4,096,201
Fiduciary Fund Statement of Net Position:	
Cash and Investments	5,987,755
Total	<u>\$ 30,827,932</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Fair Value Measurements

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

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. Treasury	\$ -	\$ 2,141,721	\$ -
State and Municipal Bonds	-	1,044,657	-
Negotiable Certificates of Deposits	-	1,506,542	-
Mutual Funds	-	423,946	-
Federal Farm Credit Bank	-	590,504	-
Federal Home Loan Bank	-	541,547	-
Total	<u>\$ -</u>	<u>\$ 6,248,917</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.

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.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Custodial Credit Risk

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

As of December 31, 2022, \$17,354,563 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. Of this amount, all but \$102,470 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

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
U.S. Treasury	\$ 2,141,721	\$ 2,141,721	\$ -	\$ -	\$ -
State and Municipal Bonds	1,044,657	-	132,021	912,636	-
Negotiable Certificates of Deposits	1,506,542	-	-	-	1,506,542
Mutual Funds	423,946	-	-	-	423,946
Federal Farm Credit Bank	590,504	-	590,504	-	-
Federal Home Loan Bank	541,547	-	541,547	-	-
Wisconsin Local Government Investment Pool	4,537,469	-	-	-	4,537,469
Totals	<u>\$ 10,786,386</u>	<u>\$ 2,141,721</u>	<u>\$ 1,264,072</u>	<u>\$ 912,636</u>	<u>\$ 6,467,957</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

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
U.S. Treasury	\$ 2,141,721	\$ 2,141,721	\$ -	\$ -	\$ -
State and Municipal Bonds	1,044,657	629,891	414,766	-	-
Negotiable Certificates of Deposits	1,506,542	676,322	830,220	-	-
Mutual Funds	423,946	423,946	-	-	-
Federal Farm Credit Bank	590,504	-	-	590,504	-
Federal Home Loan Bank	541,547	-	-	541,547	-
Wisconsin Local Government Investment Pool	4,537,469	4,537,469	-	-	-
Totals	<u>\$ 10,786,386</u>	<u>\$ 8,409,349</u>	<u>\$ 1,244,986</u>	<u>\$ 1,132,051</u>	<u>\$ -</u>

**B. Lease Receivable**

A summary of the City's leases terms and interest rates is as follows:

Governmental Activities

Cell Tower Leases. Monthly installments ranging from \$2,367 to \$3,332 plus interest at 1.00%, due dates ranging from 2025 to 2031.

Business-Type Activities

Cell Tower Lease. Monthly installments ranging from \$1,895 to \$3,142 plus interest at 1.00%, due date of 2028.

Certain leases provide for increases in future minimum annual rental payments based on defined increases.



**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Lease Receivable (Continued)**

Total lease payments to be received under lease agreements are as follows:

Year Ended December 31,	Governmental Activities		Business- Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 91,722	\$ 4,328	\$ 51,410	\$ 3,359	\$ 143,132	\$ 7,687
2024	95,895	3,392	53,343	2,836	149,238	6,228
2025	86,387	2,436	55,335	2,293	141,722	4,729
2026	56,924	1,703	57,385	1,731	114,309	3,434
2027	31,633	1,293	59,496	1,147	91,129	2,440
2028-2031	112,184	1,908	82,428	638	194,612	2,546
Total	<u>\$ 474,745</u>	<u>\$ 15,060</u>	<u>\$ 359,397</u>	<u>\$ 12,004</u>	<u>\$ 834,142</u>	<u>\$ 27,064</u>

**C. Restricted Assets**

Restricted and other assets on December 31, 2022 totaled \$4,199,252 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	\$ 1,234,804	\$ -	\$ 1,234,804
Unspent Bond Proceeds	-	1,128,625	1,128,625
Bond Redemption	150,000	725,574	875,574
Bond Reserve	137,766	719,432	857,198
Total Restricted and Other Assets	<u>\$ 1,522,570</u>	<u>\$ 2,573,631</u>	<u>\$ 4,096,201</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.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 3,889,709	\$ -	\$ -	\$ 3,889,709
Construction in Progress	2,347,792	1,987,535	2,212,487	2,122,840
Total Capital Assets, Nondepreciable	6,237,501	1,987,535	2,212,487	6,012,549
Capital Assets, Depreciable:				
Buildings	16,268,446	14,883	-	16,283,329
Machinery and Equipment	12,862,123	1,209,854	-	14,071,977
Infrastructure	46,823,752	2,578,163	-	49,401,915
Subtotals	75,954,321	3,802,900	-	79,757,221
Less Accumulated Depreciation for:				
Buildings	7,547,652	312,696	-	7,860,348
Machinery and Equipment	8,168,047	596,384	-	8,764,431
Infrastructure	17,854,725	1,055,999	-	18,910,724
Subtotals	33,570,424	1,965,079	-	35,535,503
Total Capital Assets, Depreciable, Net	42,383,897	1,837,821	-	44,221,718
Governmental Activities Capital Assets, Net	<u>\$ 48,621,398</u>	<u>\$ 3,825,356</u>	<u>\$ 2,212,487</u>	50,234,267
Less: Capital Related Debt				30,118,450
Less: Debt Premium				739,267
Less: Accounts Payable				<u>1,248,779</u>
Net Investment in Capital Assets				<u>\$ 18,127,771</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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	2,603,756	1,160,837	2,603,756
Total Capital Assets, Nondepreciable	1,212,366	2,603,756	1,160,837	2,655,285
Capital Assets, Depreciable:				
Buildings and Improvements	11,501,625	-	-	11,501,625
Machinery and Equipment	8,545,818	457,794	-	9,003,612
Infrastructure	46,900,486	1,040,739	70,575	47,870,650
Subtotals	66,947,929	1,498,533	70,575	68,375,887
Less Accumulated Depreciation	32,611,074	1,332,299	70,575	33,872,798
Total Capital Assets, Depreciable, Net	34,336,855	166,234	-	34,503,089
Business-Type Activities Capital Assets, Net	<u>\$ 35,549,221</u>	<u>\$ 2,769,990</u>	<u>\$ 1,160,837</u>	37,158,374
Less: Capital Related Debt				8,347,904
Less: Debt Premium				<u>317,397</u>
Net Investment in Capital Assets				<u><u>\$ 28,493,073</u></u>

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

Governmental Activities:	
General Government	\$ 353,067
Public Safety	296,450
Public Works	987,467
Culture and Recreation	328,095
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,965,079</u></u>
Business-Type Activities:	
Water Utility	\$ 539,674
Sewer Utility	792,625
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 1,332,299</u></u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary Cash Advances to Finance		
Operating Cash Deficits:		
Governmental Funds:		
General Fund	\$ 652,313	\$ 110,316
General Debt Service	-	154,966
Nonmajor Governmental Funds:		
Breakwater Project	-	329,610
TID No. 3	-	134,923
2021 Capital Borrowing	-	32,814
Temporary Cash Advance to Capital Projects:		
Proprietary Funds:		
Water Utility	110,316	-
Total	<u>\$ 762,629</u>	<u>\$ 762,629</u>

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

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 467,088	\$ -
General Debt Service	204,800	-
Nonmajor Governmental Funds:		
Marina	-	254,800
2021 Capital Borrowing	200,000	-
Wastewater Utility	-	211,140
Water Utility	-	405,948
Total	<u>\$ 871,888</u>	<u>\$ 871,888</u>

Interfund transfers were made for the following purposes:

Tax Equivalent Payment Made by Water Utility to General Fund	\$ 405,948
Tax Equivalent Payment Made by Wastewater Utility to General Fund	11,140
Transfer for Administrative Costs	50,000
Transfer for Debt Service Payments	204,800
Transfer funds to 2021 Capital Borrowing	200,000
Total	<u>\$ 871,888</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Obligations**

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 29,255,000	\$ 4,535,000	\$ 2,970,000	\$ 30,820,000	\$ 3,210,000
Notes from Direct Borrowings	42,919	87,960	4,784	126,095	10,273
Total General Obligation Debt	<u>29,297,919</u>	<u>4,622,960</u>	<u>2,974,784</u>	<u>30,946,095</u>	<u>3,220,273</u>
Debt Premium	686,625	226,869	174,227	739,267	154,084
Compensated Absences	<u>1,093,113</u>	<u>452,521</u>	<u>266,070</u>	<u>1,279,564</u>	<u>351,086</u>
Governmental Activities					
Long-Term Obligations	<u>\$ 31,077,657</u>	<u>\$ 5,302,350</u>	<u>\$ 3,415,081</u>	<u>\$ 32,964,926</u>	<u>\$ 3,725,443</u>
Business-Type Activities:					
General Obligation Debt:					
Notes	\$ 98,902	\$ -	\$ 10,175	\$ 88,727	\$ 10,735
Revenue Bonds	9,870,000	-	585,000	9,285,000	610,000
Bond Anticipation Notes	960,000	-	-	960,000	-
Debt Premium	367,229	-	49,832	317,397	-
Compensated Absences	<u>230,100</u>	<u>72,669</u>	<u>69,694</u>	<u>233,075</u>	<u>75,000</u>
Business-Type Activities					
Long-Term Obligations	<u>\$ 11,526,231</u>	<u>\$ 72,669</u>	<u>\$ 714,701</u>	<u>\$ 10,884,199</u>	<u>\$ 695,735</u>

Total interest paid during the year on long-term debt totaled \$977,258.

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
State Trust Fund Loan (Sewer)	06/10/09	03/15/29	5.50%	\$ 188,900	\$ 88,727
Refunding Bonds	11/14/12	09/01/27	2.00 - 2.38%	1,030,000	395,000
Refunding Bonds	07/01/13	09/01/32	2.25 - 3.25%	3,965,000	2,430,000
Promissory Notes	08/04/14	09/01/24	2.00 - 2.63%	4,200,000	625,000
Refunding Bonds	07/06/16	09/01/31	2.00 - 2.50%	5,030,000	4,210,000
Promissory Notes	06/27/17	09/01/26	2.00 - 3.00%	5,445,000	3,310,000
Promissory Notes	06/15/18	09/01/27	2.50 - 3.00%	2,400,000	1,625,000
Taxable Promissory Notes	08/19/19	12/01/27	2.00 - 3.00%	1,110,000	760,000
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	38,135
Promissory Notes	06/08/20	09/01/29	2.00%	2,895,000	2,160,000
Refunding Bonds	08/17/20	09/01/33	0.20 - 1.65%	3,780,000	3,165,000
Refunding Bonds	10/15/21	09/01/33	1.00 - 2.00%	4,905,000	4,715,000
GO Community Development Bonds	05/06/22	03/01/38	3.25 - 4.25%	835,000	835,000
GO Promissory Notes	08/01/22	03/01/32	3.00 - 5.00%	3,700,000	3,700,000
State Trust Fund Loan	08/02/22	03/15/38	4.75%	87,960	87,960
Total Outstanding General Obligation Debt					<u>\$ 31,034,822</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Obligations (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$31,034,822 on December 31, 2022 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
2023	\$ 10,273	\$ 1,239	\$ 10,735	\$ 4,880	\$ 21,008	\$ 6,119
2024	8,991	1,082	11,314	4,301	20,305	5,383
2025	9,355	913	11,948	3,667	21,303	4,580
2026	9,720	742	12,605	3,010	22,325	3,752
2027	10,100	742	13,298	2,317	23,398	3,059
2028-2032	37,602	1,144	28,827	2,404	66,429	3,548
2033-2037	32,580	-	-	-	32,580	-
2038	7,474	-	-	-	7,474	-
Total	<u>\$ 126,095</u>	<u>\$ 5,862</u>	<u>\$ 88,727</u>	<u>\$ 20,579</u>	<u>\$ 214,822</u>	<u>\$ 26,441</u>

Year Ended December 31,	General Obligation Debt	
	Governmental Activities	
	Principal	Interest
2023	\$ 3,210,000	\$ 771,530
2024	3,310,000	668,371
2025	3,465,000	591,001
2026	3,430,000	513,535
2027	3,220,000	430,047
2028-2032	12,200,000	1,081,383
2033-2037	1,915,000	96,580
2038	70,000	1,842
Total	<u>\$ 30,820,000</u>	<u>\$ 4,154,289</u>

**Legal Margin for New Debt**

The City's legal margin for creation of additional general obligation debt on December 31, 2022 was \$39,911,193 as follows:

Equalized Valuation of the City	\$ 1,418,920,300
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	70,946,015
Net Outstanding General Obligation Debt Applicable to Debt Limitation	31,034,822
Legal Margin for New Debt	<u>\$ 39,911,193</u>

**Bond Anticipation Notes**

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Taxable Revenue Bond Anticipation Note	10/28/21	5/1/24	0.65%	\$ 960,000	<u>\$ 960,000</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Obligations (Continued)**

Bond Anticipation Notes (Continued)

Annual principal and interest maturities of the outstanding bond anticipation notes of \$960,000 on December 31, 2022 are detailed below:

Year Ended December 31,	Business Type Activities		
	Principal	Interest	Total
2023	\$ -	\$ 6,240	\$ 6,240
2024	960,000	3,120	963,120
Total	<u>\$ 960,000</u>	<u>\$ 9,360</u>	<u>\$ 969,360</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2022 totaled \$9,285,000 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Water Revenue Bonds	06/06/16	05/01/36	2.25 - 3.00%	\$ 2,500,000	\$ 1,945,000
Water Revenue Bonds	04/05/18	05/01/31	3.25%	2,635,000	1,945,000
Water Revenue Bonds	06/28/19	05/01/36	4.00%	1,820,000	1,670,000
Sewer Revenue Bonds	10/06/21	05/01/36	2.00 - 3.00%	1,680,000	1,590,000
Water Revenue Bonds	10/28/21	05/01/36	2.00%	2,235,000	2,135,000
Total Outstanding Revenue Bonds					<u>\$ 9,285,000</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$9,285,000 on December 31, 2022 are detailed below:

Year Ended December 31,	Business-Type Activities		
	Bonded		
	Principal	Interest	Total
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	675,000	165,568	840,568
2028-2032	3,515,000	534,017	4,049,017
2033-2036	2,565,000	126,210	2,691,210
Total	<u>\$ 9,285,000</u>	<u>\$ 1,686,974</u>	<u>\$ 10,971,974</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 \$9,112,524. Principal and interest paid for the current year and total customer net revenues were \$718,733 and \$1,444,003, respectively.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Obligations (Continued)**

Utility Revenues Pledged (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 \$1,859,450. Principal and interest paid for the current year and total customer net revenues were \$134,529 and \$1,630,716, 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 2022 as follows:

	Wastewater	Water
Operating Revenues	\$ 2,750,747	\$ 3,206,973
Less: Operating Expenses	(1,955,696)	(2,316,555)
Add: Depreciation	792,625	539,674
Interest Revenue	43,040	13,911
Pledged Net Revenues	<u>\$ 1,630,716</u>	<u>\$ 1,444,003</u>
Highest Annual Principal and Interest Requirements	\$ 138,700	\$ 718,733
Coverage Factor	11.76	2.01
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, 2022:

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, 2022**

**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 2022:

	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
Total	5,163	5,059	492,043

The 2022 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/reports-and-statements/financial-reports-and-statements>.

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022**

**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>
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
2021	5.1	13

**3. Contributions**

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

During the reporting period ending December 31, 2022, the WRS recognized \$516,253 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)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, the City reported an asset of \$3,311,181 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.04108072%, which was an increase of 0.00043189% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension revenue of \$285,332.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,349,045	\$ 385,724
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	7,407,388
Changes in Assumptions	617,752	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	8,124	3,435
Employer Contributions Subsequent to the Measurement Date	516,253	-
Total	<u>\$ 6,491,174</u>	<u>\$ 7,796,547</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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)**

\$516,253 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2023	\$ (153,571)
2024	(895,928)
2025	(393,207)
2026	(378,920)
Total	<u>\$ (1,821,626)</u>

**5. Actuarial Assumptions**

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

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

\* 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.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**5. Actuarial Assumptions (Continued)**

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

Long-Term Expected Return on Plan Assets

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

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Global Equities	52 %	6.8%	4.2%
Fixed Income	25	4.3%	1.8%
Inflation Sensitive Assets	19	2.7%	0.2%
Real Estate	7	5.6%	3.0%
Private Equity/Debt	12	9.7%	7.0%
Cash	(15)	0.9%	N/A
Total Core Fund	100 %	6.6%	4.0%
Variable Fund Asset Class:			
U.S. Equities	70 %	6.3%	3.7%
International Equities	30	7.2%	4.6%
Total Variable Fund	100 %	6.8%	4.2%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.50%

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

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**5. Actuarial Assumptions (Continued)**

Single Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability, as opposed to a discount rate of 7.00% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan 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 6.80%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,349,518	\$ (3,311,181)	\$ (7,385,832)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**6. Payables to the Pension Plan**

At December 31, 2022, the City reported a payable of \$114,366 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2022.

**H. Other Postemployment Benefits**

The City reports OPEB balances at December 31, 2022 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ 771,215	\$ 335,313	\$ 156,749
Single-Employer Defined OPEB Plan	784,176	243,516	423,251
Total Pension Liability	<u>\$ 1,555,391</u>	<u>\$ 578,829</u>	<u>\$ 580,000</u>

**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, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3
Active Employees	<u>68</u>
Total	<u><u>71</u></u>

Total OPEB Liability

The City's total OPEB liability of \$784,176 was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2021.



**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2021 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:	2.00%

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, 2021	\$ 939,133
Changes for the Year:	
Service Cost	77,508
Interest	21,506
Difference Between Expected and Actual Experience	(126,627)
Effect of Assumptions Changes or Inputs	(83,237)
Benefit Payments	(44,107)
Net Changes	(154,957)
Balance at December 31, 2022	\$ 784,176

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 (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

	1% Decrease to Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase to Discount Rate (3.00%)
Total OPEB Liability	\$ 835,590	\$ 784,176	\$ 735,196

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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	\$ 709,229	\$ 784,176	\$ 871,383

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$54,889. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 349,263
Changes in Assumptions	136,902	73,988
City Benefit Payments Subsequent to the Measurement Date	106,614	-
Total	<u>\$ 243,516</u>	<u>\$ 423,251</u>

\$106,614 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, 2022 and reported in the year ended December 31, 2023. 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>
2023	\$ (44,125)
2024	(44,094)
2025	(44,087)
2026	(44,087)
2027	(44,090)
Thereafter	(65,866)
Total	<u>\$ (286,349)</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 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 <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 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, 2022 are:

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Other Postemployment Benefits (Continued)**

**2. Local Retiree Life Insurance Fund (Continued)**

Contributions (Continued)

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

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

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

During the year ended December 31, 2022, LRLIF recognized \$2,915 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, 2022, the City reported a liability of \$771,215 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.13048500%, which was an increase of 0.02082100% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized OPEB expense of \$97,359.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 39,231
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	10,034	-
Changes in Assumptions	233,010	37,380
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	92,269	80,138
Total	<u>\$ 335,313</u>	<u>\$ 156,749</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>
2023	\$ 39,297
2024	38,133
2025	35,063
2026	41,512
2027	14,066
Thereafter	10,493
Total	<u>\$ 178,564</u>

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

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

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

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

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive 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 2.17%, 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 (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)
City's Proportionate Share of the Net OPEB Liability	\$ 1,046,260	\$ 771,215	\$ 564,254

Payable to the OPEB Plan

At December 31, 2022, the City did not report a payable for any outstanding amount of contributions to the Plan required for the year ended December 31, 2022.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, nonspendable fund balance was as follows:

General Fund:

Nonspendable:

Prepaid Items	\$ 39,369
Delinquent Taxes	17,319
Interfund receivable from the Debt Service Fund	154,966
Interfund receivable from the Breakwater Project	<u>329,610</u>
Total General Fund Nonspendable Fund Balance	<u><u>\$ 541,264</u></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, 2022, restricted fund balance was as follows:

Special Revenue Funds:

Restricted for:

Loan Programs	\$ 834,095
Library	124,205
ARPA	<u>15,575</u>
Total Special Revenue Funds	973,875

Capital Projects Funds:

Restricted for:

Capital Projects	1,020,794
Tax Incremental District Development	<u>1,219,480</u>
Total Capital Project Funds	<u>2,240,274</u>

Total Restricted Fund Balance	<u><u>\$ 3,214,149</u></u>
-------------------------------	----------------------------



**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, general fund balance was committed as follows:

Special Revenue Funds:

Committed for:

Marina Projects	\$ 419,461
Open Spaces	281,698
Tree Replacement	174,142
Payments to Townships	1,396
Senior Center	14,987
Recycling	34,748
Total Committed Fund Balance	<u><u>\$ 926,432</u></u>

**4. 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.

2022 General Fund Expenditures less	
Capital Outlay and Debt Service	\$ 10,227,024
Minimum Fund Balance Percent	(x) 20%
Minimum Fund Balance Amount	<u><u>\$ 2,045,405</u></u>

The current unassigned general fund balance of \$2,153,619 is above the 20% goal.

**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.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**A. Tax Incremental Financing Districts (Continued)**

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, 2022, the City can recover \$2,236,538 from future excess tax increment revenues of the following:

	Recoverable Costs (Excess)
TID No. 2	\$ 1,797,440
TID No. 3	439,923
TID No. 4	(825)

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.

**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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service Cost	\$ 77,508	\$ 70,171	\$ 38,456	\$ 48,957	\$ 48,957
Interest	21,506	23,758	27,095	24,660	24,660
Changes of Benefit Terms	-	-	-	-	340,009
Differences Between Expected and Actual Experience	(126,627)	-	(378,657)	625	(197)
Changes of Assumptions	(83,237)	32,651	179,862	-	-
Benefit Payments	(44,107)	(32,609)	(11,801)	(14,545)	(14,545)
Net Change in Total OPEB Liability	(154,957)	93,971	(145,045)	59,697	398,884
Total OPEB Liability - Beginning	939,133	845,162	990,207	930,510	531,626
Total OPEB Liability - Ending	<u>\$ 784,176</u>	<u>\$ 939,133</u>	<u>\$ 845,162</u>	<u>\$ 990,207</u>	<u>\$ 930,510</u>
Covered-Employee Payroll	\$ 5,379,633	\$ 4,921,471	\$ 4,921,471	\$ 4,753,958	\$ 4,753,958
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	14.58%	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 TEN 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%
12/31/21	0.04108072%	(3,311,181)	5,689,238	58.20%	106.02%

**SCHEDULE OF CONTRIBUTIONS  
WISCONSIN RETIREMENT SYSTEM  
LAST TEN 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	-	5,212,340	7.42%
12/31/20	477,233	477,233	-	5,592,702	8.53%
12/31/21	487,673	487,673	-	5,689,238	8.57%
12/31/22	516,253	516,253	-	6,025,128	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 TEN MEASUREMENT PERIODS**

Measurement Period 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%
12/31/21	0.13048500%	771,215	5,459,000	14.13%	29.57%

**SCHEDULE OF CONTRIBUTIONS  
LOCAL RETIREE LIFE INSURANCE FUND  
LAST TEN 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	-	5,459,000	0.05%
12/31/22	2,915	2,915	-	6,025,128	0.05%

See Notes to Required Supplementary Information.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 1 WISCONSIN RETIREMENT SYSTEM**

**Changes of Benefit Terms**

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

**Changes of Assumptions**

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

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

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

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

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

**NOTE 2 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.

**CITY OF PORT WASHINGTON, WISCONSIN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 2 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Local Retiree Life Insurance Fund (LRLIF)**

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

*Changes of Assumptions*

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

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

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

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

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

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



## **SUPPLEMENTARY INFORMATION**

**CITY OF PORT WASHINGTON, WISCONSIN  
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>TAXES</b>				
General Property	\$ 3,049,236	\$ 3,049,236	\$ 3,009,236	\$ (40,000)
Pubic Accommodation (Room) Taxes	95,000	95,000	113,812	18,812
Interest and Penalties	300	300	960	660
Total Taxes	3,144,536	3,144,536	3,124,008	(20,528)
<b>INTERGOVERNMENTAL</b>				
State:				
State Shared Taxes	2,671,084	2,671,084	2,704,665	33,581
Personal Property Tax	14,881	14,881	14,881	-
Exempt Computer State Aid	11,395	11,395	12,595	1,200
Fire Insurance	50,000	50,000	55,778	5,778
Other Public Safety	4,000	4,000	50,509	46,509
Law Enforcement Grants	3,000	3,000	2,720	(280)
General Transportation Aid	803,602	803,602	799,479	(4,123)
Other State Grants	93,472	93,472	161,440	67,968
Total Intergovernmental	3,651,434	3,651,434	3,802,067	150,633
<b>LICENSES AND PERMITS</b>				
Licenses:				
Liquor and Malt Beverage	16,885	16,885	17,061	176
Bartender Operator's Licenses	6,450	6,450	7,410	960
Cigarette Licenses	1,200	1,200	1,200	-
Cable Television Fees	105,000	105,000	105,049	49
Bicycle Licenses	9	9	-	(9)
Other Business	4,280	4,280	5,205	925
Dog and Cat	1,700	1,700	1,874	174
Permits:				
Building	170,000	170,000	117,731	(52,269)
Plumbing	31,000	31,000	26,485	(4,515)
Inspection Administration Fees	200	200	-	(200)
Electrician	26,000	26,000	32,522	6,522
Occupancy	25,000	25,000	19,500	(5,500)
Other Permits	1,630	1,630	2,125	495
Zoning Fees	10,000	10,000	11,725	1,725
Total Licenses and Permits	399,354	399,354	347,887	(51,467)

**CITY OF PORT WASHINGTON, WISCONSIN**  
**DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES (CONTINUED)**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>FINES AND FORFEITS</b>				
Court Penalties and Costs	\$ 131,950	\$ 131,950	\$ 59,204	\$ (72,746)
Parking Violations	-	-	26,230	26,230
Miscellaneous	-	-	34	34
Total Fines and Forfeits	131,950	131,950	85,468	(46,482)
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk's Fees	8,000	8,000	10,611	2,611
Publication Fees	600	600	420	(180)
Police Department Fees	11,600	11,600	6,723	(4,877)
Fire Department Fees	120,000	120,000	137,552	17,552
Ambulance Fees	634,644	634,644	546,260	(88,384)
Other Public Safety	49,000	49,000	7,859	(41,141)
County Highway Maintenance and Construction	1,032	1,032	831	(201)
Recreation Programs	242,800	242,800	298,645	55,845
Senior Center	5,801	5,801	-	(5,801)
Total Public Charges for Services	1,073,477	1,073,477	1,008,901	(64,576)
<b>MISCELLANEOUS</b>				
Interest Income	10,250	10,250	156,119	145,869
Rental Income	100,000	100,000	88,094	(11,906)
Donations	-	-	7,614	7,614
Third-Party Reimbursement	500,000	500,000	516,955	16,955
Other Miscellaneous Revenue	115,719	115,719	753,641	637,922
Total Miscellaneous	725,969	725,969	1,522,423	796,454
Total Revenues	<u>\$ 9,126,720</u>	<u>\$ 9,126,720</u>	<u>\$ 9,890,754</u>	<u>\$ 764,034</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Mayor, Council, and Boards	\$ 45,863	\$ 45,863	\$ 48,630	\$ (2,767)
Administrator	524,488	524,488	648,484	(123,996)
Elections	143,728	143,728	118,779	24,949
Treasurer	125,377	125,377	117,725	7,652
Assessor	41,000	41,000	41,832	(832)
Legal	135,000	135,000	178,862	(43,862)
Municipal Court	48,000	48,000	-	48,000
Insurance	239,674	239,674	337,672	(97,998)
Human Resources	-	-	34,997	(34,997)
Building and Plant	74,600	74,600	127,514	(52,914)
Total General Government	1,377,730	1,377,730	1,654,495	(276,765)
<b>PUBLIC SAFETY</b>				
Police	3,481,084	3,481,084	3,626,093	(145,009)
Patrol Operations	43,374	43,374	36,149	7,225
Fire Protection	475,775	475,775	430,526	45,249
Emergency Government	163,799	163,799	161,619	2,180
Ambulance	356,624	356,624	471,389	(114,765)
Inspection	1,250	1,250	1,364	(114)
Maintenance	38,577	38,577	26,774	11,803
Total Public Safety	4,560,483	4,560,483	4,753,914	(193,431)
<b>PUBLIC WORKS</b>				
Administration	91,604	91,604	98,671	(7,067)
Engineering	209,133	209,133	238,358	(29,225)
Transportation Cost Pools	-	-	125,573	(125,573)
Shop Operations	65,500	65,500	71,437	(5,937)
Machinery Operation and Maintenance	1,050,709	1,050,709	284,404	766,305
Garages and Sheds	56,515	56,515	58,341	(1,826)
Highway and Street Maintenance	65,000	65,000	291,661	(226,661)
Street Signs	24,500	24,500	119,422	(94,922)
Street Clearing	-	-	10,498	(10,498)
Street Lighting	261,000	261,000	224,923	36,077
Sidewalks	2,000	2,000	-	2,000
Storm Sewer Maintenance	24,000	24,000	60,865	(36,865)
Tree and Brush Removal	15,250	15,250	223,329	(208,079)
Snow and Ice Removal	59,200	59,200	80,523	(21,323)
Refuse and Garbage Collection	442,376	442,376	478,312	(35,936)
Recycling	15	15	12,614	(12,599)
Weed Control	6,000	6,000	63,505	(57,505)
Total Public Works	2,372,802	2,372,802	2,442,436	(69,634)
<b>HEALTH AND HUMAN SERVICES</b>				
Public Health Services	9,200	9,200	11,876	(2,676)

**CITY OF PORT WASHINGTON, WISCONSIN**  
**DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>CULTURE AND RECREATION</b>				
Museum	\$ 1,650	\$ 1,650	\$ 1,760	\$ (110)
Yoga and More	6,900	6,900	4,240	2,660
Community Center	146,120	146,120	127,214	18,906
Cable Television	26,500	26,500	27,420	(920)
Parks	413,322	413,322	417,414	(4,092)
Recreation Programs and Events	21,412	21,412	32,015	(10,603)
Recreation Administration	235,806	235,806	242,079	(6,273)
School Year Recreation	37,746	37,746	82,426	(44,680)
Celebration and Entertainment	23,700	23,700	42,376	(18,676)
Playgrounds	16,191	16,191	20,431	(4,240)
Summer Theater	26,290	26,290	25,757	533
Swimming	159,538	159,538	137,567	21,971
Golf Courses	4,650	4,650	251	4,399
Other Summer Recreation	2,500	2,500	5,758	(3,258)
Winter Sports Areas	3,803	3,803	5,656	(1,853)
Stadium	14,916	14,916	45,988	(31,072)
Education	1,023	1,023	-	1,023
Total Culture and Recreation	1,142,067	1,142,067	1,218,352	(76,285)
<b>CONVERSATION AND DEVELOPMENT</b>				
Community Development	139,438	139,438	144,263	(4,825)
<b>CAPITAL OUTLAY</b>				
General Administration	-	-	7,633	(7,633)
Law Enforcement	-	-	1,597	(1,597)
Total Capital Outlay	-	-	9,230	(9,230)
Total Expenditures	\$ 9,601,720	\$ 9,601,720	\$ 10,234,566	\$ (632,846)

**CITY OF PORT WASHINGTON, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Special Revenue							
	Marina	Revolving Loan	Library	Tourism	Open Spaces	Tree Replacement	Payments to Townships	Senior Center
<b>ASSETS</b>								
Cash and Investments	\$ 671,866	\$ 515,277	\$ 133,755	\$ 58,379	\$ 281,698	\$ 174,142	\$ 1,396	\$ 28,796
Receivables:								
Taxes and Special Charges	-	-	511,276	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Loans	-	318,918	-	-	-	-	-	-
Total Assets	<u>\$ 671,866</u>	<u>\$ 834,195</u>	<u>\$ 645,031</u>	<u>\$ 58,379</u>	<u>\$ 281,698</u>	<u>\$ 174,142</u>	<u>\$ 1,396</u>	<u>\$ 28,796</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 167,094	\$ 100	\$ 9,550	\$ 58,387	\$ -	\$ -	\$ -	\$ 7,733
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenues	85,311	-	-	-	-	-	-	6,076
Total Liabilities	<u>252,405</u>	<u>100</u>	<u>9,550</u>	<u>58,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,809</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property Taxes Levied for Subsequent Year	-	-	511,276	-	-	-	-	-
Unavailable Revenue for: Other	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>511,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Restricted	-	834,095	124,205	-	-	-	-	-
Committed	419,461	-	-	-	281,698	174,142	1,396	14,987
Unassigned	-	-	-	(8)	-	-	-	-
Total Fund Balances	<u>419,461</u>	<u>834,095</u>	<u>124,205</u>	<u>(8)</u>	<u>281,698</u>	<u>174,142</u>	<u>1,396</u>	<u>14,987</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 671,866</u>	<u>\$ 834,195</u>	<u>\$ 645,031</u>	<u>\$ 58,379</u>	<u>\$ 281,698</u>	<u>\$ 174,142</u>	<u>\$ 1,396</u>	<u>\$ 28,796</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2022**

	Special Revenue (continued)		Capital Projects					
	Recycling/ Garbage	ARPA Fund	2019 Capital Borrowing	Franklin Street Streetscape	Coal Dock Project	TID No. 2	TID No. 3	Breakwater Project
<b>ASSETS</b>								
Cash and Investments	\$ 93,563	\$ 1,202,918	\$ 87	\$ 34,826	\$ 49,798	\$ 1,333,204	\$ -	\$ -
Receivables:								
Taxes and Special Charges	235,901	-	-	-	-	648,931	52,286	-
Accounts	-	-	507	-	-	111,177	-	-
Loans	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 329,464</u>	<u>\$ 1,202,918</u>	<u>\$ 594</u>	<u>\$ 34,826</u>	<u>\$ 49,798</u>	<u>\$ 2,093,312</u>	<u>\$ 52,286</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 58,815	\$ -	\$ 507	\$ -	\$ -	\$ 144,714	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	134,923	329,610
Unearned Revenues	-	1,187,343	-	-	-	-	-	-
Total Liabilities	<u>58,815</u>	<u>1,187,343</u>	<u>507</u>	<u>-</u>	<u>-</u>	<u>144,714</u>	<u>134,923</u>	<u>329,610</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property Taxes Levied for Subsequent Year	235,901	-	-	-	-	648,931	52,286	-
Unavailable Revenue for:								
Other	-	-	-	-	-	81,012	-	-
Total Deferred Inflows of Resources	<u>235,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>729,943</u>	<u>52,286</u>	<u>-</u>
<b>FUND BALANCES</b>								
Restricted	-	15,575	87	34,826	49,798	1,218,655	-	-
Committed	34,748	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(134,923)	(329,610)
Total Fund Balances	<u>34,748</u>	<u>15,575</u>	<u>87</u>	<u>34,826</u>	<u>49,798</u>	<u>1,218,655</u>	<u>(134,923)</u>	<u>(329,610)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 329,464</u>	<u>\$ 1,202,918</u>	<u>\$ 594</u>	<u>\$ 34,826</u>	<u>\$ 49,798</u>	<u>\$ 2,093,312</u>	<u>\$ 52,286</u>	<u>\$ -</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2022**

	Capital Projects (continued)		
	TID No. 4	2021 Capital Borrowing	Total
<b>ASSETS</b>			
Cash and Investments	\$ 10,660	\$ 200,001	\$ 4,790,366
Receivables:			
Taxes and Special Charges	41,851	-	1,490,245
Accounts	280,000	-	391,684
Loans	-	-	318,918
Total Assets	<u>\$ 332,511</u>	<u>\$ 200,001</u>	<u>\$ 6,991,213</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 9,835	\$ 58,749	\$ 515,484
Due to Other Funds	-	32,814	497,347
Unearned Revenues	-	-	1,278,730
Total Liabilities	<u>9,835</u>	<u>91,563</u>	<u>2,291,561</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Levied for Subsequent Year	41,851	-	1,490,245
Unavailable Revenue for:			
Other	280,000	-	361,012
Total Deferred Inflows of Resources	<u>321,851</u>	<u>-</u>	<u>1,851,257</u>
<b>FUND BALANCES</b>			
Restricted	825	108,438	2,386,504
Committed	-	-	926,432
Unassigned	-	-	(464,541)
Total Fund Balances	<u>825</u>	<u>108,438</u>	<u>2,848,395</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 332,511</u>	<u>\$ 200,001</u>	<u>\$ 6,991,213</u>



**CITY OF PORT WASHINGTON, WISCONSIN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue							
	Marina	Revolving Loan	Library	Tourism	Open Spaces	Tree Replacement	Payments to Townships	Senior Center
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 508,293	\$ 250,387	\$ -	\$ -	\$ 1,021	\$ -
Intergovernmental	-	-	30,944	-	-	-	-	-
Public Charges for Services	1,505,895	-	20,130	-	-	-	-	72,628
Intergovernmental Charges for Services	-	-	114,616	-	-	-	-	-
Miscellaneous	10,079	14,292	20,493	-	19,940	84,001	-	16,174
Total Revenues	1,515,974	14,292	694,476	250,387	19,940	84,001	1,021	88,802
<b>EXPENDITURES</b>								
Current:								
General Government	-	-	-	-	-	-	1,020	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Culture and Recreation	1,290,204	-	686,627	-	123,239	-	-	94,251
Conservation and Development	-	3,580	-	256,494	-	11,636	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	1,290,204	3,580	686,627	256,494	123,239	11,636	1,020	94,251
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	225,770	10,712	7,849	(6,107)	(103,299)	72,365	1	(5,449)
<b>OTHER FINANCING SOURCES (USES)</b>								
Long-Term Debt Issued	-	-	-	-	-	-	-	-
Premium on Debt Issued	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(254,800)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(254,800)	-	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(29,030)	10,712	7,849	(6,107)	(103,299)	72,365	1	(5,449)
Fund Balances - Beginning of Year	448,491	823,383	116,356	6,099	384,997	101,777	1,395	20,436
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 419,461</u>	<u>\$ 834,095</u>	<u>\$ 124,205</u>	<u>\$ (8)</u>	<u>\$ 281,698</u>	<u>\$ 174,142</u>	<u>\$ 1,396</u>	<u>\$ 14,987</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue (continued)					Capital Projects	
	Recycling/ Garbage	Environmental Planning	Waterfront Safety	Marina Special Events	ARPA Fund	2019 Capital Borrowing	Franklin Street Streetscape
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,223	-	-	-	59,365	-	-
Public Charges for Services	224,821	-	-	-	-	-	-
Intergovernmental Charges for Services	-	-	-	-	-	-	-
Miscellaneous	-	149	-	-	19,888	87	577
Total Revenues	244,044	149	-	-	79,253	87	577
<b>EXPENDITURES</b>							
Current:							
General Government	-	-	152	9,512	407	-	-
Public Safety	-	-	-	-	59,365	-	-
Public Works	261,263	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Conservation and Development	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	7,992
Total Expenditures	261,263	-	152	9,512	59,772	-	7,992
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(17,219)	149	(152)	(9,512)	19,481	87	(7,415)
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-Term Debt Issued	-	-	-	-	-	-	-
Premium on Debt Issued	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(17,219)	149	(152)	(9,512)	19,481	87	(7,415)
Fund Balances - Beginning of Year	51,967	(149)	152	9,512	(3,906)	-	42,241
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 34,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,575</u>	<u>\$ 87</u>	<u>\$ 34,826</u>

**CITY OF PORT WASHINGTON, WISCONSIN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

Capital Projects (continued)						
	Coal Dock Project	TID No. 2	TID No. 3	Breakwater Project	TID No. 4	2021 Capital Borrowing
						Total
<b>REVENUES</b>						
Taxes	\$ -	\$ 384,130	\$ 42,536	\$ -	\$ 45,005	\$ -
Intergovernmental	-	15,263	4,861	550,000	-	-
Public Charges for Services	-	-	-	-	-	-
Intergovernmental Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	-	399,393	47,397	550,000	45,005	-
<b>EXPENDITURES</b>						
Current:						
General Government	-	221,819	29,789	-	150	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conservation and Development	-	87,960	1,223	-	42,755	-
Debt Service:						
Principal	-	259,784	50,000	-	-	-
Interest and Fiscal Charges	-	32,457	8,375	-	-	-
Capital Outlay	-	-	-	7,004	-	976,783
Total Expenditures	-	602,020	89,387	7,004	42,905	976,783
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(202,627)	(41,990)	542,996	2,100	(976,783)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	-	922,960	-	-	-	-
Premium on Debt Issued	-	38,460	-	-	-	-
Transfers In	-	-	-	-	-	200,000
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	961,420	-	-	-	200,000
<b>NET CHANGE IN FUND BALANCES</b>	-	758,793	(41,990)	542,996	2,100	(776,783)
Fund Balances - Beginning of Year	49,798	459,862	(92,933)	(872,606)	(1,275)	885,221
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 49,798</u>	<u>\$ 1,218,655</u>	<u>\$ (134,923)</u>	<u>\$ (329,610)</u>	<u>\$ 825</u>	<u>\$ 108,438</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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 22, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002, and 2022-003 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  
August 22, 2023

**CITY OF PORT WASHINGTON, WISCONSIN  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

---

***Section I – Internal Control Over Financial Reporting***

---

<b>Finding No.</b>	<b>Control Deficiencies</b>
2022-001	Adjustments to the City's Financial Records
Type of Finding:	Material Weakness in Internal Control over Financial Reporting Repeat finding of 2021-001
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements.
Criteria or Specific Requirement:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Effect:	Year-end financial records prepared by the City may contain material misstatements.
Cause:	The City did not identify and record all material year end closing entries prior to the audit.
Recommendation:	We recommend that Management of the City continue to review any adjusting entries proposed as part of the audit process. In addition, we also recommend that the City implement month end and year end closing procedures to determine that all appropriate journal entries have been recorded.
Views of Responsible Officials and Corrective Action Plan:	The Finance Director will continue to review adjusting and closing entries, as well as work to implement a month-end/year-end closing 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 (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

---

***Section I – Internal Control Over Financial Reporting (Continued)***

---

<b>Finding No.</b>	<b>Control Deficiencies</b>
2022-002	Preparation of the Annual Financial Report
Type of Finding:	Material Weakness in Internal Control over Financial Reporting Repeat finding of 2021-002
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 resources. 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 has implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.
Criteria or Specific Requirement:	The preparation and review of the annual financial report 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 (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

---

***Section I – Internal Control Over Financial Reporting (Continued)***

---

<b>Finding No.</b>	<b>Control Deficiencies</b>
2022-003	Segregation of Duties
Type of Finding:	Material Weakness in Internal Control over Financial Reporting Repeat finding of 2021-003
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.

