

CITY OF PORT WASHINGTON, WISCONSIN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



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**CITY OF PORT WASHINGTON, WISCONSIN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

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

**CITY OF PORT WASHINGTON, WISCONSIN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – SINGLE EMPLOYER PLAN	67
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) – WISCONSIN RETIREMENT SYSTEM	68
SCHEDULE OF CONTRIBUTIONS – WISCONSIN RETIREMENT SYSTEM	68
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) – LOCAL RETIREE LIFE INSURANCE FUND	69
SCHEDULE OF CONTRIBUTIONS – LOCAL RETIREE LIFE INSURANCE FUND	69
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	70

SUPPLEMENTARY INFORMATION

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES	73
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES	75
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	77
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	80

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 <i>GOVERNMENT AUDITING STANDARDS</i>	84
SCHEDULE OF FINDINGS AND RESPONSES	86



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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 4.D. to the basic financial statements, the City restated beginning fund balance in the general, marina and library governmental funds and beginning net position for governmental activities in the amounts of \$999,728, \$43,219, \$35,647, and \$291,422, respectively, to correct errors in the previously issued financial statements. 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2024 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
June 7, 2024

BASIC FINANCIAL STATEMENTS

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities	Business-Type Activities	Totals	Component Unit BID
ASSETS				
Cash and Investments	\$ 15,647,549	\$ 8,339,907	\$ 23,987,456	\$ 15,521
Receivables:				
Taxes and Special Charges	3,843,180	-	3,843,180	75,995
Delinquent Taxes	20,223	-	20,223	-
Accounts	663,108	1,384,797	2,047,905	-
Leases	383,023	307,988	691,011	-
Loans	446,714	-	446,714	-
Prepaid Items	18,068	36,040	54,108	-
Restricted and Other Assets:				
Cash and Investments	-	3,580,969	3,580,969	-
Capital Assets, Nondepreciable	4,616,983	1,676,728	6,293,711	-
Capital Assets, Depreciable, Net	44,152,097	40,419,173	84,571,270	-
Total Assets	69,790,945	55,745,602	125,536,547	91,516
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	7,015,376	1,418,978	8,434,354	-
Net Other Postemployment Benefit-Related Amounts	530,725	103,681	634,406	-
Total Deferred Outflows of Resources	7,546,101	1,522,659	9,068,760	-
LIABILITIES				
Accounts Payable	1,002,926	108,316	1,111,242	-
Accrued and Other Current Liabilities	956,121	200,340	1,156,461	-
Due to Other Governments	76,261	-	76,261	-
Accrued Interest Payable	206,326	47,262	253,588	-
Unearned Revenues	780,699	133,217	913,916	-
Long-Term Obligations:				
Due Within One Year	3,860,276	1,937,865	5,798,141	-
Due in More than One Year	30,007,311	9,930,760	39,938,071	-
Net Pension Liability	1,871,843	377,172	2,249,015	-
Net Other Postemployment Benefits Liability:				
Due Within One Year	117,451	23,074	140,525	-
Due in More than One Year	930,415	181,801	1,112,216	-
Total Liabilities	39,809,629	12,939,807	52,749,436	-
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	8,428,621	-	8,428,621	75,995
Lease Related	383,023	307,988	691,011	-
Pension Related Amounts	3,937,473	795,813	4,733,286	-
Other Postemployment Benefit Related Amounts	740,761	144,732	885,493	-
Total Deferred Inflows of Resources	13,489,878	1,248,533	14,738,411	75,995
NET POSITION				
Net Investment in Capital Assets	19,350,124	31,557,666	50,907,790	-
Restricted:				
Loan Programs	866,545	-	866,545	-
Library	201,666	-	201,666	-
Tax Incremental District Development	241,491	-	241,491	-
Debt Service	92,887	945,613	1,038,500	-
Equipment Replacement	-	1,500,000	1,500,000	-
Unrestricted	3,284,826	9,076,642	12,361,468	15,521
Total Net Position	\$ 24,037,539	\$ 43,079,921	\$ 67,117,460	\$ 15,521

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

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	\$ 1,544,388	\$ 177,383	\$ -	\$ -	\$ (1,367,005)	\$ -	\$ (1,367,005)	\$ -
Public Safety	5,017,694	1,114,686	149,554	-	(3,753,454)	-	(3,753,454)	-
Public Works	4,424,570	242,007	912,648	2,535	(3,267,380)	-	(3,267,380)	-
Health and Human Services	267,245	-	-	-	(267,245)	-	(267,245)	-
Culture and Recreation	3,043,069	416,257	161,177	-	(2,465,635)	-	(2,465,635)	-
Conservation and Development	1,726,861	6,250	15,263	-	(1,705,348)	-	(1,705,348)	-
Interest and Fiscal Charges	664,358	-	-	-	(664,358)	-	(664,358)	-
Total Governmental Activities	16,688,185	1,956,583	1,238,642	2,535	(13,490,425)	-	(13,490,425)	-
Business-Type Activities:								
Water Utility	2,749,690	3,570,242	-	701,626	-	1,522,178	1,522,178	-
Wastewater Utility	2,377,239	2,979,274	-	649,830	-	1,251,865	1,251,865	-
Marina	1,198,581	1,418,790	-	-	-	220,209	220,209	-
Total Business-Type Activities	6,325,510	7,968,306	-	1,351,456	-	2,994,252	2,994,252	-
Total	\$ 23,013,695	\$ 9,924,889	\$ 1,238,642	\$ 1,353,991	(13,490,425)	2,994,252	(10,496,173)	-
Component Unit:								
BID	\$ 70,208	\$ -	\$ -	\$ -	-	-	-	(70,208)
GENERAL REVENUES								
Taxes:								
Property Taxes					7,062,657	-	7,062,657	-
Tax Increments					743,068	-	743,068	-
Other Taxes					323,652	-	323,652	-
Federal and State Grants and Other Contributions								
Not Restricted to Specific Functions					4,053,183	-	4,053,183	-
Interest and Investment Earnings					462,541	543,911	1,006,452	113
Miscellaneous					882,927	62,066	944,993	77,949
TRANSFERS					(916,313)	916,313	-	-
Total General Revenues and Transfers					12,611,715	1,522,290	14,134,005	78,062
CHANGE IN NET POSITION					(878,710)	4,516,542	3,637,832	7,854
Net Position - January 1, as Originally Reported					24,624,827	38,563,379	63,188,206	7,667
Restatement					291,422	-	291,422	-
Net Position - Beginning of Year, as Restated					24,916,249	38,563,379	63,479,628	7,667
NET POSITION - END OF YEAR					\$ 24,037,539	\$ 43,079,921	\$ 67,117,460	\$ 15,521

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital and Special Projects	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and Investments	\$ 5,350,729	\$ 2,149,212	\$ 4,208,797	\$ 3,938,811	\$ 15,647,549
Receivables:					
Taxes and Special Charges	1,308,480	1,755,275	45,821	733,604	3,843,180
Delinquent Taxes	20,223	-	-	-	20,223
Accounts	383,108	-	-	280,000	663,108
Leases	383,023	-	-	-	383,023
Loans	-	-	-	446,714	446,714
Due from Other Funds	105,155	-	-	-	105,155
Prepaid Items	18,068	-	-	-	18,068
	<u>7,568,786</u>	<u>3,904,487</u>	<u>4,254,618</u>	<u>5,399,129</u>	<u>21,127,020</u>
Total Assets	<u>\$ 7,568,786</u>	<u>\$ 3,904,487</u>	<u>\$ 4,254,618</u>	<u>\$ 5,399,129</u>	<u>\$ 21,127,020</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 244,833	\$ -	\$ 21,530	\$ 736,563	\$ 1,002,926
Accrued and Other Current Liabilities	293,338	-	-	7,874	301,212
Due to Other Funds	-	-	-	105,155	105,155
Due to Other Governments	76,261	-	-	-	76,261
Unearned Revenues	20,256	-	-	760,443	780,699
Total Liabilities	<u>634,688</u>	<u>-</u>	<u>21,530</u>	<u>1,610,035</u>	<u>2,266,253</u>
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Year	2,841,504	3,811,600	99,500	1,676,017	8,428,621
Lease Related	383,023	-	-	-	383,023
Unavailable Revenue	73,897	-	-	280,000	353,897
Total Deferred Inflows of Resources	<u>3,298,424</u>	<u>3,811,600</u>	<u>99,500</u>	<u>1,956,017</u>	<u>9,165,541</u>
FUND BALANCES					
Nonspendable	38,291	-	-	-	38,291
Restricted	-	92,887	4,133,588	1,309,702	5,536,177
Committed	-	-	-	667,301	667,301
Unassigned	3,597,383	-	-	(143,926)	3,453,457
Total Fund Balances	<u>3,635,674</u>	<u>92,887</u>	<u>4,133,588</u>	<u>1,833,077</u>	<u>9,695,226</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,568,786</u>	<u>\$ 3,904,487</u>	<u>\$ 4,254,618</u>	<u>\$ 5,399,129</u>	<u>\$ 21,127,020</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, 2023**

Total Fund Balances as Shown on Previous Page	\$	9,695,226
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		48,769,080
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Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		353,897
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Some deferred outflows and inflows of resources are not reported in the funds.

Deferred Outflows Related to Pensions		7,015,376
Deferred Inflows Related to Pensions		(3,937,473)
Deferred Outflows Related to Other Postemployment Benefits		530,725
Deferred Inflows Related to Other Postemployment Benefits		(740,761)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and Notes Payable		(32,045,822)
Premium on Debt		(799,332)
Compensated Absences		(1,022,433)
Net Pension Liability		(1,871,843)
Net Other Postemployment Benefit Liability		(1,047,866)
Other Long-Term Liability - HRA Liability		(654,909)
Accrued Interest on Long-Term Obligations		(206,326)

Net Position of Governmental Activities Reported on the Statement of Net Position	\$	<u>24,037,539</u>
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CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Debt Service	Capital and Special Projects	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 3,306,167	\$ 3,346,492	\$ -	\$ 1,476,718	\$ 8,129,377
Special Assessments	-	2,535	-	-	2,535
Intergovernmental	3,799,115	-	53,000	1,284,237	5,136,352
Licenses and Permits	342,538	-	-	-	342,538
Fines and Forfeits	70,847	-	-	-	70,847
Public Charges for Services	1,169,766	-	-	254,726	1,424,492
Intergovernmental Charges for Services	68,228	-	-	129,116	197,344
Miscellaneous	1,097,353	-	21,902	1,019,464	2,138,719
Total Revenues	9,854,014	3,349,027	74,902	4,164,261	17,442,204
EXPENDITURES					
Current:					
General Government	1,712,893	-	-	229,709	1,942,602
Public Safety	4,709,589	-	-	438,850	5,148,439
Public Works	2,404,193	-	-	249,994	2,654,187
Health and Human Services	3,683	-	-	39,956	43,639
Culture and Recreation	1,414,941	-	-	658,581	2,073,522
Conservation and Development	129,113	-	-	1,578,036	1,707,149
Debt Service:					
Principal	-	2,690,000	-	355,273	3,045,273
Interest and Fiscal Charges	-	657,441	106,513	89,978	853,932
Capital Outlay	-	-	2,400,478	1,401,829	3,802,307
Total Expenditures	10,374,412	3,347,441	2,506,991	5,042,206	21,271,050
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(520,398)	1,586	(2,432,089)	(877,945)	(3,828,846)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	5,460,000	-	5,460,000
Premium on Debt Issued	-	-	236,493	-	236,493
Proceeds from Sale of Capital Assets	-	-	19,335	-	19,335
Transfers In	461,461	262,252	992,685	85,188	1,801,586
Transfers Out	-	-	(142,836)	(1,129,072)	(1,271,908)
Total Other Financing Sources (Uses)	461,461	262,252	6,565,677	(1,043,884)	6,245,506
NET CHANGE IN FUND BALANCES	(58,937)	263,838	4,133,588	(1,921,829)	2,416,660
Fund Balances - January 1, as Originally Reported	2,694,883	(170,951)	-	3,676,040	6,199,972
Restatement	999,728	-	-	78,866	1,078,594
Fund Balances - Beginning of Year, as Restated	3,694,611	(170,951)	-	3,754,906	7,278,566
FUND BALANCES - END OF YEAR	<u>\$ 3,635,674</u>	<u>\$ 92,887</u>	<u>\$ 4,133,588</u>	<u>\$ 1,833,077</u>	<u>\$ 9,695,226</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, 2023

Net Change in Fund Balances as Shown on Previous Page	\$	2,416,660
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital Assets Reported as Expenditures in Governmental Fund Statements		3,431,419
Depreciation Expense Reported in the Statement of Activities		(1,924,087)
Net Book Value of Disposals		(81,406)

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.		(648,188)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-Term Debt Issued		(5,460,000)
Premium on Debt Issued		(236,493)
Principal Repaid		3,045,273

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		43,997
Amortization of Premiums		145,577
Other Long-Term Liability - HRA Liability		89,044
Compensated Absences		198,503
Net Pension Asset		(2,752,537)
Net Pension Liability		(1,871,843)
Deferred Outflows of Resources Related to Pensions		1,615,833
Deferred Inflows of Resources Related to Pensions		2,543,683
Net Other Postemployment Benefits		227,002
Deferred Outflows of Resources Related to Other Postemployment Benefits		54,651
Deferred Inflows of Resources Related to Other Postemployment Benefits		(269,807)
Transfer from Governmental Activities to Business-Type Activities		(1,445,991)

Change in Net Position of Governmental Activities as Reported in the Statements of Activities	\$	(878,710)
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**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,820,444	\$ 3,820,444	\$ 3,306,167	\$ (514,277)
Intergovernmental	3,749,676	3,749,676	3,799,115	49,439
Licenses and Permits	402,220	402,220	342,538	(59,682)
Fines and Forfeits	168,000	168,000	70,847	(97,153)
Public Charges for Services	1,079,175	1,079,175	1,169,766	90,591
Intergovernmental Charges for Services	68,228	68,228	68,228	-
Miscellaneous	724,207	724,207	1,097,353	373,146
Total Revenues	10,011,950	10,011,950	9,854,014	(157,936)
EXPENDITURES				
Current:				
General Government	2,215,631	2,215,631	1,712,893	502,738
Public Safety	4,556,871	4,556,871	4,709,589	(152,718)
Public Works	2,186,914	2,186,914	2,404,193	(217,279)
Health and Human Services	9,200	9,200	3,683	5,517
Culture and Recreation	1,395,488	1,395,488	1,414,941	(19,453)
Conservation and Development	142,846	142,846	129,113	13,733
Total Expenditures	10,506,950	10,506,950	10,374,412	132,538
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(495,000)	(495,000)	(520,398)	(25,398)
OTHER FINANCING SOURCES				
Transfers In	495,000	495,000	461,461	(33,539)
NET CHANGE IN FUND BALANCE	-	-	(58,937)	(58,937)
Fund Balance - Beginning of Year	2,694,883	2,694,883	2,694,883	-
Restatement	-	-	999,728	999,728
Fund Balance - January 1, Restated	2,694,883	2,694,883	3,694,611	999,728
FUND BALANCE - END OF YEAR	<u>\$ 2,694,883</u>	<u>\$ 2,694,883</u>	<u>\$ 3,635,674</u>	<u>\$ 940,791</u>

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Enterprise Funds			
	Wastewater Utility	Water Utility	Marina	Totals
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 3,821,291	\$ 3,797,140	\$ 721,476	\$ 8,339,907
Receivables:				
Customer Accounts	548,700	836,097	-	1,384,797
Leases	-	53,343	-	53,343
Prepaid Items	-	36,040	-	36,040
Total Current Assets	4,369,991	4,722,620	721,476	9,814,087
NONCURRENT ASSETS				
Restricted and Other Assets:				
Cash and Investments	1,806,257	1,774,712	-	3,580,969
OTHER ASSETS				
Leases Receivable	-	254,645	-	254,645
Total Noncurrent Assets	1,806,257	2,029,357	-	3,835,614
CAPITAL ASSETS				
Nondepreciable	560,936	1,115,792	-	1,676,728
Depreciable, Net	14,880,911	22,755,476	2,782,786	40,419,173
Total Capital Assets	15,441,847	23,871,268	2,782,786	42,095,901
Total Assets	21,618,095	30,623,245	3,504,262	55,745,602
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	497,043	875,804	46,131	1,418,978
Other Postemployment Benefit Related Amounts	37,232	66,449	-	103,681
Total Deferred Outflows of Resources	534,275	942,253	46,131	1,522,659

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2023

	Enterprise Funds			
	Wastewater Utility	Water Utility	Marina	Totals
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 25,166	\$ 71,772	\$ 11,378	\$ 108,316
Accrued and Other Current Liabilities	69,570	106,879	23,891	200,340
Unearned Revenue	-	-	133,217	133,217
Current Portion of:				
Compensated Absences	19,161	41,059	11,598	71,818
Net Other Postemployment Benefits Liability	8,206	14,868	-	23,074
General Obligation Debt	-	-	230,000	230,000
Bond Anticipation Notes	-	960,000	-	960,000
Debt Premium	16,213	26,329	8,505	51,047
Payable from Restricted Assets:				
Current Portion of Revenue Bonds	100,000	525,000	-	625,000
Accrued Interest	6,200	33,462	7,600	47,262
Total Current Liabilities	244,516	1,779,369	426,189	2,450,074
LONG-TERM OBLIGATIONS				
Less Current Portion:				
General Obligation Debt	-	-	1,487,230	1,487,230
Revenue Bonds	1,470,461	6,810,191	-	8,280,652
Compensated Absences	30,747	86,284	45,847	162,878
Net Pension Liability	132,631	233,198	11,343	377,172
Net Other Postemployment Benefits Liability	65,261	116,540	-	181,801
Total Long-Term Liabilities	1,699,100	7,246,213	1,544,420	10,489,733
Total Liabilities	1,943,616	9,025,582	1,970,609	12,939,807
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	307,988	-	307,988
Pension Related Amounts	279,135	490,789	25,889	795,813
Other Postemployment Benefits				
Related Amounts	51,961	92,771	-	144,732
Total Deferred Inflows of Resources	331,096	891,548	25,889	1,248,533
NET POSITION				
Net Investment in Capital Assets	13,998,590	16,502,025	1,057,051	31,557,666
Restricted:				
Debt Service	156,640	788,973	-	945,613
Equipment Replacement	1,500,000	-	-	1,500,000
Unrestricted	4,222,428	4,357,370	496,844	9,076,642
Total Net Position	\$ 19,877,658	\$ 21,648,368	\$ 1,553,895	\$ 43,079,921

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, 2023

	Enterprise Funds			
	Wastewater Utility	Water Utility	Marina	Totals
OPERATING REVENUES				
Charges for Services	\$ 2,966,880	\$ 3,400,873	\$ 1,418,790	\$ 7,786,543
Other	12,394	169,369	-	181,763
Total Operating Revenues	2,979,274	3,570,242	1,418,790	7,968,306
OPERATING EXPENSES				
Operation and Maintenance	1,566,225	1,960,765	1,063,092	4,590,082
Depreciation	787,474	611,307	108,327	1,507,108
Total Operating Expenses	2,353,699	2,572,072	1,171,419	6,097,190
OPERATING INCOME	625,575	998,170	247,371	1,871,116
NONOPERATING REVENUES (EXPENSES)				
Investment Income	245,012	277,999	20,900	543,911
Interest and Fiscal Charges	(23,540)	(177,618)	(27,162)	(228,320)
Miscellaneous	62,066	-	-	62,066
Total Nonoperating Revenues (Expenses)	283,538	100,381	(6,262)	377,657
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	909,113	1,098,551	241,109	2,248,773
Capital Contributions	649,830	701,626	-	1,351,456
Transfers In	-	-	1,908,671	1,908,671
Transfers Out	(8,243)	(388,230)	(595,885)	(992,358)
CHANGE IN NET POSITION	1,550,700	1,411,947	1,553,895	4,516,542
Net Position - Beginning of Year	18,326,958	20,236,421	-	38,563,379
NET POSITION - END OF YEAR	<u>\$ 19,877,658</u>	<u>\$ 21,648,368</u>	<u>\$ 1,553,895</u>	<u>\$ 43,079,921</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023**

	Enterprise Funds			
	Wastewater Utility	Water Utility	Marina	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 3,057,184	\$ 3,308,220	\$ 1,466,696	\$ 7,832,100
Cash Paid for Employee Wages and Benefits	(570,882)	(1,089,917)	(1,135,167)	(2,795,966)
Cash Paid to Suppliers	(915,773)	(729,613)	(58,489)	(1,703,875)
Net Cash Provided by Operating Activities	1,570,529	1,488,690	273,040	3,332,259
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due To/From Other Funds	-	110,316	-	110,316
Transfer Out	(8,243)	(388,230)	(595,885)	(992,358)
Net Cash Used by Noncapital Financing Activities	(8,243)	(277,914)	(595,885)	(882,042)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(1,251,168)	(2,344,236)	-	(3,595,404)
Capital Contributions	649,830	701,626	-	1,351,456
Lease Payments Received	-	51,409	-	51,409
Proceeds from Long-Term Debt	-	-	540,000	540,000
Premium on Long-Term Debt	-	-	23,389	23,389
Principal Paid on Long-Term Debt	(188,727)	(510,000)	(175,000)	(873,727)
Interest Paid on Long-Term Debt	(45,213)	(208,358)	(36,834)	(290,405)
Net Cash Provided (Used) by Capital and Related Financing Activities	(835,278)	(2,309,559)	351,555	(2,793,282)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	245,012	277,999	20,900	543,911
CHANGE IN CASH AND CASH INVESTMENTS	972,020	(820,784)	49,610	200,846
Cash and Investments - Beginning of Year	4,655,528	6,392,636	671,866	11,720,030
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 5,627,548</u>	<u>\$ 5,571,852</u>	<u>\$ 721,476</u>	<u>\$ 11,920,876</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Enterprise Funds			
	Wastewater Utility	Water Utility	Marina	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 625,575	\$ 998,170	\$ 247,371	\$ 1,871,116
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	829,356	611,307	108,327	1,548,990
Depreciation Charged to Sewer Utility	(41,882)	41,882	-	-
Miscellaneous Revenue	62,066	-	-	62,066
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources:				
Net Pension Asset/Liability	332,872	573,491	29,453	935,816
Deferred Outflows Related to Pension	(107,090)	(210,002)	(10,255)	(327,347)
Deferred Inflows Related to Pension	(192,355)	(310,469)	(16,754)	(519,578)
Net Other Postemployment Benefits Liability	(17,351)	(58,297)	-	(75,648)
Deferred Outflows Related to Other Postemployment Benefits	(3,235)	2,309	-	(926)
Deferred Inflows Related to Other Postemployment Benefits	18,637	17,049	-	35,686
Change in Deferred Inflows from Leases	-	(51,409)	-	(51,409)
Change in Operating Assets and Liabilities:				
Accounts Receivables	15,844	(210,613)	-	(194,769)
Prepaid Items	-	1,214	-	1,214
Accounts Payable	(16,212)	27,737	(155,716)	(144,191)
Accrued and Other Current Liabilities	69,570	106,879	23,891	200,340
Unearned Revenue	-	-	47,906	47,906
Compensated Absences	(5,266)	(50,558)	(1,183)	(57,007)
Net Cash Provided by Operating Activities	<u>\$ 1,570,529</u>	<u>\$ 1,488,690</u>	<u>\$ 273,040</u>	<u>\$ 3,332,259</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments in Current Assets	\$ 3,821,291	\$ 3,797,140	\$ 721,476	\$ 8,339,907
Cash and Investments in Restricted Assets	<u>1,806,257</u>	<u>1,774,712</u>	<u>-</u>	<u>3,580,969</u>
Total Cash and Investments	<u>\$ 5,627,548</u>	<u>\$ 5,571,852</u>	<u>\$ 721,476</u>	<u>\$ 11,920,876</u>
Noncash capital and related financing activities				
Transfer from Governmental Activities	\$ -	\$ -	\$ 1,445,991	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2023**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and Investments	\$ 7,722,805
Receivables:	
Taxes	<u>6,591,984</u>
Total Assets	<u>14,314,789</u>
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	<u>14,314,789</u>
 NET POSITION	
Fiduciary Net Position - Restricted for Other Governments	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2023**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ADDITIONS	
Taxes and Special Charges Collected	\$ 14,120,592
DEDUCTIONS	
Payments to Other Taxing Jurisdictions	<u>14,120,592</u>
CHANGES IN NET POSITION	-
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023. 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 2023 was 7.1%.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, 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.

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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital and Special Projects Fund

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

Marina Fund

This fund accounts for the operations of the city Marina for 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.

- Revolving Loan
- Library
- Tourism
- Open Spaces
- Tree Replacement
- Payments to Townships
- Senior Center
- Recycling/Garbage
- 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
- Breakwater Project
- TID No. 4
- 2021 Capital Borrowing
- 2022 Capital Borrowing

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 collection 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 emergency medical service revenues to be available if they are collected within 90 days and all other 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, 2023**

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, Grafton 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 \$383,108 have been reported in the General Fund net of an allowance for uncollectible accounts. This balance represents net accounts receivable of \$188,655 related to general accounts receivable and \$194,453 relates to emergency medical service billings. Emergency medical services reported gross accounts receivable of \$765,156 and also recognized an allowance of \$570,703, resulting in a net of \$194,453.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023**

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, 2023**

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 furniture and office equipment, \$10,000 for vehicles and operating equipment, and \$50,000 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 20 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, 2023**

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

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

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

Information about the fiduciary net position of the 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, 2023**

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, 2023, 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). Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs 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, 2023**

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, 2023**

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.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

The City did not have any material violations of legal or contractual provisions for the fiscal year ended December 31, 2023.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

B. Excess of Expenditures Over Budget Appropriations

The following functions of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2023, as follows:

Fund	Excess Expenditures
General Fund:	
Public Safety	\$ 141,343
Public Works	228,654
Culture and Recreation	19,453

C. Deficit Fund Equity

The following fund had deficit fund balance as of December 31, 2023:

Fund	Deficit Fund Balance
TID No. 3	\$ 143,926

The City anticipates funding the above deficit from future revenues of the fund.

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 2023 and 2024 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 2023 budget was 2.47%. The actual limit for the City for the 2024 budget was 1.22%. 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, 2023**

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 \$35,291,230 on December 31, 2023, as summarized below:

Petty Cash and Cash on Hand	\$ 2,400
Deposits with Financial Institutions	16,042,509
Investments:	
State and Municipal Bonds	421,067
Negotiable Certificates of Deposits	3,374,574
Money Market Mutual Funds	35,115
Federal Farm Credit Bank	460,736
Federal Home Loan Bank	407,379
Wisconsin Local Government Investment Pool	14,547,450
Total	<u><u>\$ 35,291,230</u></u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Other Investments	\$ 23,987,456
Restricted Cash and Investments	3,580,969
Fiduciary Fund Statement of Net Position:	
Cash and Investments	7,722,805
Total	<u><u>\$ 35,291,230</u></u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
State and Municipal Bonds	\$ -	\$ 421,067	\$ -
Negotiable Certificates of Deposits	-	3,374,574	-
Money Market Mutual Funds	-	35,115	-
Federal Farm Credit Bank	-	460,736	-
Federal Home Loan Bank	-	407,379	-
Total	<u>\$ -</u>	<u>\$ 4,698,871</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, 2023**

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, 2023, \$14,693,443 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. Of this amount, all was collateralized with securities held by the pledging financial institution or its trust department or agent.

Credit Risk

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

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
State and Municipal Bonds	\$ 421,067	\$ -	\$ 132,674	\$ 288,393	\$ -
Negotiable Certificates of Deposits	3,374,574	-	-	-	3,374,574
Money Market Mutual Funds	35,115	-	-	-	35,115
Federal Farm Credit Bank	460,736	-	460,736	-	-
Federal Home Loan Bank	407,379	-	407,379	-	-
Wisconsin Local Government Investment Pool	14,547,450	-	-	-	14,547,450
Totals	<u>\$ 19,246,321</u>	<u>\$ -</u>	<u>\$ 1,000,789</u>	<u>\$ 288,393</u>	<u>\$ 17,957,139</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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
State and Municipal Bonds	\$ 421,067	\$ 421,067	\$ -	\$ -	\$ -
Negotiable Certificates of Deposits	3,374,574	2,792,512	582,062	-	-
Money Market Mutual Funds	35,115	35,115	-	-	-
Federal Farm Credit Bank	460,736	-	-	460,736	-
Federal Home Loan Bank	407,379	-	-	407,379	-
Wisconsin Local Government Investment Pool	14,547,450	14,547,450	-	-	-
Totals	<u>\$ 19,246,321</u>	<u>\$ 17,796,144</u>	<u>\$ 582,062</u>	<u>\$ 868,115</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, 2023**

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
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	32,944	971	57,397	544	90,341	1,515
2029-2031	79,240	937	25,032	94	104,272	1,031
Total	<u>\$ 383,023</u>	<u>\$ 10,732</u>	<u>\$ 307,988</u>	<u>\$ 8,645</u>	<u>\$ 691,011</u>	<u>\$ 19,377</u>

C. Restricted Assets

Restricted and other assets on December 31, 2023, totaled \$3,580,969 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	\$ 1,500,000	\$ -	\$ 1,500,000
Unspent Bond Proceeds	-	200,033	200,033
Bond Redemption	162,840	822,435	985,275
Bond Reserve	143,417	752,244	895,661
Total Restricted and Other Assets	<u>\$ 1,806,257</u>	<u>\$ 1,774,712</u>	<u>\$ 3,580,969</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, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Transfers *	Decreases	Ending Balance
Governmental Activities:					
Capital Assets, Nondepreciable:					
Land	\$ 3,889,709	\$ -	\$ -	\$ -	\$ 3,889,709
Construction in Progress	2,122,840	391,669	-	1,787,235	727,274
Total Capital Assets, Nondepreciable	6,012,549	391,669	-	1,787,235	4,616,983
Capital Assets, Depreciable:					
Buildings	16,283,329	439,182	(292,512)	-	16,429,999
Machinery and Equipment	14,071,977	1,229,051	(39,296)	2,657,113	12,604,619
Infrastructure	49,401,915	3,158,752	(4,364,599)	-	48,196,068
Subtotals	79,757,221	4,826,985	(4,696,407)	2,657,113	77,230,686
Less Accumulated Depreciation for:					
Buildings	7,860,348	307,006	(234,010)	-	7,933,344
Machinery and Equipment	8,764,431	589,115	(1,531,988)	2,575,707	5,245,851
Infrastructure	18,910,724	1,027,966	(39,296)	-	19,899,394
Subtotals	35,535,503	1,924,087	(1,805,294)	2,575,707	33,078,589
Total Capital Assets, Depreciable, Net	44,221,718	2,902,898	(2,891,113)	81,406	44,152,097
Governmental Activities Capital Assets, Net	<u>\$ 50,234,267</u>	<u>\$ 3,294,567</u>	<u>\$ (2,891,113)</u>	<u>\$ 1,868,641</u>	48,769,080
Less: Capital Related Debt					32,045,822
Less: Debt Premium					799,332
Less: Capital Related Accounts Payable					707,390
Plus: Unspent Bond Proceeds					<u>4,133,588</u>
Net Investment in Capital Assets					<u>\$ 19,350,124</u>

*During the fiscal year ending December 31, 2023, the City transferred capital asset and related accumulated depreciation from the governmental activities to the business-type activities in the amounts of \$4,696,407 and \$1,805,294, respectively.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Transfers *	Decreases	Ending Balance
Business-Type Activities:					
Capital Assets, Nondepreciable:					
Land	\$ 51,529	\$ -	\$ -	\$ -	\$ 51,529
Construction in Progress	2,603,756	1,622,645	-	2,601,202	1,625,199
Total Capital Assets, Nondepreciable	2,655,285	1,622,645	-	2,601,202	1,676,728
Capital Assets, Depreciable:					
Buildings and Improvements	11,501,625	-	292,512	-	11,794,137
Machinery and Equipment	9,003,612	2,912,516	39,296	-	11,955,424
Infrastructure	47,870,650	1,661,445	4,364,599	189,804	53,706,890
Subtotals	68,375,887	4,573,961	4,696,407	189,804	77,456,451
Less Accumulated Depreciation	33,872,798	1,548,990	1,805,294	189,804	37,037,278
Total Capital Assets, Depreciable, Net	34,503,089	3,024,971	2,891,113	-	40,419,173
Business-Type Activities Capital Assets, Net	<u>\$ 37,158,374</u>	<u>\$ 4,647,616</u>	<u>\$ 2,891,113</u>	<u>\$ 2,601,202</u>	42,095,901
Less: Capital Related Debt					10,219,306
Less: Debt Premium					<u>318,929</u>
Net Investment in Capital Assets					<u>\$ 31,557,666</u>

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

Governmental Activities:	
General Government	\$ 352,857
Public Safety	266,375
Public Works	1,082,828
Culture and Recreation	222,027
Total Depreciation Expense - Governmental Activities	<u>\$ 1,924,087</u>
Business-Type Activities:	
Water Utility	\$ 611,307
Sewer Utility	787,474
Marina	108,327
Depreciation Expense Charged to Other Expense Accounts	41,882
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,548,990</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary Cash Advances to Finance		
Operating Cash Deficits:		
Governmental Funds:		
General Fund	\$ 105,155	\$ -
Nonmajor Governmental Funds:		
TID No. 3	-	105,155
Total	<u>\$ 105,155</u>	<u>\$ 105,155</u>

Interfund transfers for the year ended December 31, 2023, were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General	\$ 461,461	\$ -
General Debt Service	262,252	-
Capital and Special Projects	992,685	142,836
Nonmajor Governmental Funds:		
Marina Special Revenue Fund	-	462,680
Franklin Street Streetscape	-	35,390
Coral Dock Project	-	49,798
Senior Center	-	14,987
2021 Capital Borrowing	85,188	519,417
2022 Capital Borrowing	-	46,800
Proprietary Funds:		
Wastewater Utility	-	8,243
Water Utility	-	388,230
Marina	1,908,671	595,885
Transfer From Governmental Activities to		
Business-Type Activities	-	1,445,991
Total	<u>\$ 3,710,257</u>	<u>\$ 3,710,257</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

Interfund transfers were made for the following purposes:

Tax Equivalent Payment Made by Water Utility to General Fund	\$ 388,230
Tax Equivalent Payment Made by Wastewater Utility to General Fund	8,243
Transfer from Marina to General Fund	50,000
to Capital and Special Projects Fund	545,885
Transfer Marina Funds to Proprietary Funds	462,680
Transfer for Debt Service Payments	262,252
Transfer funds to Capital and Special Projects Fund	446,800
Transfer funds to 2021 Capital Borrowing	85,188
Transfer funds from Senior Center	14,988
Transfer from Governmental Activities to Marina Proprietary Fund	1,445,991
Total Fund Financial Statement Transfers	3,710,257
Less: Eliminations	(2,793,944)
Total Government-Wide Financial Statement Transfers	<u>\$ 916,313</u>

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2023:

	Beginning Balance	Issued	Transfers	Retired	Ending Balance	Due Within One Year
Governmental Activities:						
General Obligation Debt:						
Bonds	\$ 30,820,000	\$ 5,460,000	\$ (1,315,000)	\$ 3,035,000	\$ 31,930,000	\$ 3,380,000
Notes from Direct Borrowings	126,095	-	-	10,273	115,822	8,991
Total General Obligation Debt	30,946,095	5,460,000	(1,315,000)	3,045,273	32,045,822	3,388,991
Debt Premium	739,267	236,493	(30,851)	145,577	799,332	125,192
Compensated Absences	1,279,564	151,399	(57,444)	351,086	1,022,433	346,093
Governmental Activities Long-Term Obligations	<u>\$ 32,964,926</u>	<u>\$ 5,847,892</u>	<u>\$ (1,403,295)</u>	<u>\$ 3,541,936</u>	<u>\$ 33,867,587</u>	<u>\$ 3,860,276</u>
Business-Type Activities:						
General Obligation Debt:						
Bonds	\$ -	\$ 540,000	\$ 1,315,000	\$ 175,000	\$ 1,680,000	\$ 230,000
Notes	88,727	-	-	88,727	-	-
Total General Obligation Debt	88,727	540,000	1,315,000	263,727	1,680,000	230,000
Revenue Bonds	9,285,000	-	-	610,000	8,675,000	625,000
Bond Anticipation Notes	960,000	-	-	-	960,000	960,000
Debt Premium	317,397	23,389	30,851	52,708	318,929	51,047
Compensated Absences	233,075	19,177	57,444	75,000	234,696	71,818
Business-Type Activities Long-Term Obligations	<u>\$ 10,884,199</u>	<u>\$ 582,566</u>	<u>\$ 1,403,295</u>	<u>\$ 1,001,435</u>	<u>\$ 11,868,625</u>	<u>\$ 1,937,865</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Total interest paid during the year on long-term debt totaled \$1,023,846.

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/23
Refunding Bonds	11/14/12	09/01/27	2.00 - 2.38%	\$ 1,030,000	\$ 320,000
Refunding Bonds	07/01/13	09/01/32	2.75 - 3.25%	3,965,000	2,200,000
Promissory Notes	08/04/14	09/01/24	2.50 - 2.63%	4,200,000	375,000
Refunding Bonds	07/06/16	09/01/31	2.13 - 2.50%	5,030,000	4,060,000
Promissory Notes	06/27/17	09/01/26	2.00 - 3.00%	5,445,000	2,380,000
Promissory Notes	06/15/18	09/01/27	3.00%	2,400,000	1,425,000
Taxable Promissory Notes	08/19/19	12/01/27	2.00 - 3.00%	1,110,000	660,000
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	33,195 *
Promissory Notes	06/08/20	09/01/29	2.00%	2,895,000	1,710,000
Refunding Bonds	08/17/20	09/01/33	0.45 - 1.65%	3,780,000	2,710,000
Refunding Bonds	10/15/21	09/01/33	1.00 - 2.00%	4,905,000	4,500,000
Community Development Bonds	05/06/22	03/01/38	4.15 - 5.00%	835,000	805,000
Promissory Notes	08/01/22	03/01/32	3.00 - 5.00%	3,700,000	3,575,000
State Trust Fund Loan	08/02/22	03/15/38	4.75%	87,960	82,627 *
Promissory Notes	11/28/23	03/01/33	4.00 - 5.00%	6,000,000	6,000,000
Total Outstanding General Obligation Debt					<u>\$ 33,725,822</u>

*State Trust Fund Loans issued during 2020 and 2022 have a total outstanding balance as of December 31, 2023 of \$115,822 and are reflected in the following table as direct borrowing.

Annual principal and interest maturities of the outstanding general obligation debt of \$33,725,822 on December 31, 2023, are detailed below:

Year Ended December 31,	General Obligation Notes from Direct Borrowing and Direct Placements	
	Governmental Activities	
	Principal	Interest
2024	\$ 8,991	\$ 5,018
2025	9,355	4,653
2026	9,720	4,288
2027	10,100	3,907
2028	10,486	3,522
2029-2033	33,043	12,281
2034-2038	34,127	5,016
Total	<u>\$ 115,822</u>	<u>\$ 38,685</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Year Ended December 31,	General Obligation Debt					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 3,380,000	\$ 873,439	\$ 230,000	\$ 41,039	\$ 3,610,000	\$ 914,478
2025	3,985,000	839,011	230,000	41,275	4,215,000	880,286
2026	3,470,000	736,114	235,000	35,325	3,705,000	771,439
2027	3,480,000	633,455	240,000	29,150	3,720,000	662,605
2028	2,975,000	523,310	245,000	22,850	3,220,000	546,160
2029-2033	13,905,000	1,165,100	500,000	37,800	14,405,000	1,202,900
2034-2038	735,000	44,281	-	-	735,000	44,281
2038	-	-	-	-	2,038	-
Total	<u>\$ 31,930,000</u>	<u>\$ 4,814,710</u>	<u>\$ 1,680,000</u>	<u>\$ 207,439</u>	<u>\$ 33,610,000</u>	<u>\$ 5,022,149</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2023, was \$45,982,818 as follows:

Equalized Valuation of the City	\$ 1,594,172,800
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	79,708,640
Net Outstanding General Obligation Debt Applicable to Debt Limitation	33,725,822
Legal Margin for New Debt	<u>\$ 45,982,818</u>

Bond Anticipation Notes

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/23
Taxable Revenue Bond Anticipation Note	10/28/21	5/1/24	0.65%	\$ 960,000	<u>\$ 960,000</u>

Annual principal and interest maturities of the outstanding bond anticipation notes of \$960,000 on December 31, 2023, are detailed below:

Year Ended December 31,	Business Type Activities		
	Principal	Interest	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2024	<u>960,000</u>	<u>3,120</u>	<u>963,120</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Revenue Bonds

Revenue bonds outstanding on December 31, 2023, totaled \$8,675,000 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/23
Water Revenue Bonds	06/06/16	05/01/36	2.25 - 3.00%	\$ 2,500,000	\$ 1,825,000
Water Revenue Bonds	04/05/18	05/01/31	3.00 - 3.25%	2,635,000	1,755,000
Water Revenue Bonds	06/28/19	05/01/36	3.00 - 4.00%	1,820,000	1,570,000
Sewer Revenue Bonds	10/06/21	05/01/36	2.00 - 3.00%	1,680,000	1,490,000
Water Revenue Bonds	10/28/21	05/01/36	2.00%	2,235,000	2,035,000
Total Outstanding Revenue Bonds					<u>\$ 8,675,000</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$8,675,000 on December 31, 2023, are detailed below:

Year Ended December 31,	Business-Type Activities		
	Bonded		
	Principal	Interest	Total
2024	\$ 625,000	\$ 222,463	\$ 847,463
2025	640,000	203,731	843,731
2026	655,000	184,807	839,807
2027	675,000	165,568	840,568
2028	695,000	145,694	840,694
2029-2033	3,450,000	443,003	3,893,003
2034-2036	1,935,000	71,530	2,006,530
Total	<u>\$ 8,675,000</u>	<u>\$ 1,436,796</u>	<u>\$ 10,111,796</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 \$8,391,046. Principal and interest paid for the current year and total customer net revenues were \$718,358 and \$1,650,061, respectively.

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 \$1,720,750. Principal and interest paid for the current year and total customer net revenues were \$138,700 and \$1,887,476, respectively.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

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 2023 as follows:

	<u>Wastewater</u>	<u>Water</u>
Operating Revenues	\$ 2,979,274	\$ 3,570,242
Less: Operating Expenses	(2,353,699)	(2,572,072)
Add: Depreciation	787,474	611,307
Interest Revenue	245,012	277,999
Pledged Net Revenues	<u>\$ 1,658,061</u>	<u>\$ 1,887,476</u>
 Highest Annual Principal and Interest Requirements	 \$ 138,700	 \$ 718,733
Coverage Factor	11.95	2.63
Required	1.20	1.20

The 2023 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, 2023**

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.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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:

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2013	(9.6)%	9 %
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13
2022	7.4	15

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, 2023, the WRS recognized \$584,499 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)	6.80 %	6.80 %
Protective with Social Security	6.80	13.20
Protective without Social Security	6.80	18.10

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, the City reported a liability of \$2,249,015 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the City's proportion was 0.04245264%, which was an increase of 0.00137192% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the City recognized pension expense of \$1,137,376.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,581,983	\$ 4,705,923
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	3,820,558	-
Changes in Assumptions	442,249	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,065	27,363
Employer Contributions Subsequent to the Measurement Date	584,499	-
Total	<u>\$ 8,434,354</u>	<u>\$ 4,733,286</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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)

\$584,499 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, 2024. 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>
2024	\$ 124,674
2025	644,192
2026	659,018
2027	1,688,685
Total	<u>\$ 3,116,569</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability:	December 31, 2022
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, 2023**

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. The total pension liability for December 31, 2022, is based upon a roll-forward of the liability calculated from the December 31, 2021, 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:			
Public Equity	48 %	7.6 %	5.0 %
Public Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6
Private Equity/Debt	15	9.6	6.9
Cash	(15)	N/A	N/A
Total Core Fund	<u>100 %</u>	7.4	4.8
Variable Fund Asset Class:			
U.S. Equities	70 %	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	<u>100 %</u>	7.7	5.1

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, 2023**

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 for the current and 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 4.05% (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, 2022. 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)	\$ 7,464,407	\$ 2,249,015	\$ (1,338,727)

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, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

6. Payables to the Pension Plan

The City reported a payable of \$119,135 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2023.

H. Other Postemployment Benefits

The City reports OPEB balances at December 31, 2023, as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ 536,260	\$ 317,903	\$ 432,823
Single-Employer Defined OPEB Plan	716,481	316,503	452,670
Total Pension Liability	<u>\$ 1,252,741</u>	<u>\$ 634,406</u>	<u>\$ 885,493</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, 2023, 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 \$716,481 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2021.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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:	2.5 %
Salary Increases:	3.0 %
Healthcare Cost Trend Rates:	7.00 % decreasing by 0.10 % per year down to 4.50 %, and level thereafter
Discount Rate:	4.3 %

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, 2022	\$ 784,176
Changes for the Year:	
Service Cost	62,453
Interest	15,242
Difference Between Expected and Actual Experience	(112,621)
Effect of Assumptions Changes or Inputs	73,845
Benefit Payments	(106,614)
Net Changes	(67,695)
Balance at December 31, 2023	\$ 716,481

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 (3.25%) or 1-percentage-point higher (5.25%) than the current discount rate:

	1% Decrease to Discount Rate (3.25%)	Current Discount Rate (4.25%)	1% Increase to Discount Rate (5.25%)
Total OPEB Liability	\$ 764,263	\$ 716,481	\$ 671,874

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 (6.0% decreasing to 3.5%) or 1-percentage point higher (8.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (6.0% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% Decreasing to 4.5%)	1% Increase (8.0% Decreasing to 5.5%)
Total OPEB Liability	\$ 649,233	\$ 716,481	\$ 794,506

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

For the year ended December 31, 2023, the City recognized OPEB expense of \$29,300. At December 31, 2023, 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	\$ 65,640	\$ 287,823
Changes in Assumptions	110,338	164,847
City Benefit Payments Subsequent to the Measurement Date	140,525	-
Total	<u>\$ 316,503</u>	<u>\$ 452,670</u>

\$140,525 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, 2023 and reported in the year ended December 31, 2024. 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>
2024	\$ (48,395)
2025	(48,395)
2026	(48,395)
2027	(48,398)
2028	(23,543)
Thereafter	(59,566)
Total	<u>\$ (276,692)</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, 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, 2023**

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, 2022, are listed below:

Life Insurance Member Contribution Rates* For the Year Ended December 31, 2022		
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, 2023, LRLIF recognized \$3,014 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, 2023, the City reported a liability of \$536,260 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022, rolled forward to December 31, 2022. 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, 2022, the City's proportion was 0.14075700%, which was an increase of 0.01027200% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the City recognized OPEB expense of \$61,350.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, 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	\$ -	\$ 52,482
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	10,062	-
Changes in Assumptions	192,666	316,541
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	115,175	63,800
Total	<u>\$ 317,903</u>	<u>\$ 432,823</u>

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>
2024	\$ (3,248)
2025	(6,596)
2026	508
2027	(28,828)
2028	(34,715)
Thereafter	(42,041)
Total	<u>\$ (114,920)</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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)

Actuarial Assumptions. The total OPEB liability in the January 1, 2022, 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, 2022
Measurement Date of Net OPEB Liability (Asset):	December 31, 2022
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:*	3.72 %
Long-Term Expected Rate of Return:	4.25 %
Discount Rate:	3.76 %
Salary Increases:	
Wage Inflation	3.00 %
Seniority/Merit	0.1 % - 5.6 %
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO Index

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. The Total OPEB Liability for December 31, 2022, is based upon a roll-forward of the liability calculated from the January 1, 2022, 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.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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)

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg US Interim Credit	50 %	2.45 %
U.S. Mortgages	Bloomberg US	50	2.83
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 remained unchanged from the prior year at 2.30%.

Single Discount Rate. A single discount rate of 3.76 % was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06% as of December 31, 2021, to 3.72% as of December 31, 2022. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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)

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 3.76%, 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 (2.76%) or 1-percentage-point higher (4.76%) than the current rate:

	1% Decrease to Discount Rate (2.76%)	Current Discount Rate (3.76%)	1% Increase to Discount Rate (4.76%)
City's Proportionate Share of the Net OPEB Liability	\$ 731,134	\$ 536,260	\$ 386,912

Payable to the OPEB Plan

The City did not report a payable for any outstanding amount of contributions to the Plan required for the year ended December 31, 2023.

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, 2023, nonspendable fund balance was as follows:

General Fund:	
Nonspendable:	
Prepaid Items	\$ 18,068
Delinquent Taxes	<u>20,223</u>
Total General Fund	
Nonspendable Fund Balance	<u><u>\$ 38,291</u></u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

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, 2023, restricted fund balance was as follows:

Special Revenue Funds:

Restricted for:

Loan Programs	\$ 866,545
Library	201,666
Total Special Revenue Funds	<u>1,068,211</u>

Debt Service Funds:

General Debt Service Fund:

Restricted for:

Debt Service	92,887
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Capital Projects Funds:

Restricted for:

Capital Projects	4,133,588
Tax Incremental District Development	241,491
Total Capital Project Funds	<u>4,375,079</u>

Total Restricted Fund Balance	<u><u>\$ 5,536,177</u></u>
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3. Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2023, General Fund balance was committed as follows:

Special Revenue Funds:

Committed for:

Open Spaces	\$ 426,769
Tree Replacement	149,193
Payments to Townships	375
Recycling	39,730
ARPA	<u>51,234</u>

Total Committed Fund Balance	<u><u>\$ 667,301</u></u>
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**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

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.

2023 General Fund Expenditures Less	
Capital Outlay and Debt Service	\$ 10,374,412
Minimum Fund Balance Percent	(x) 20%
Minimum Fund Balance Amount	<u>\$ 2,074,882</u>

The current unassigned General Fund balance of \$3,597,383 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.

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, 2023, the City can recover \$2,868,257 from future excess tax increment revenues of the following:

	Recoverable
	<u>Costs (Excess)</u>
TID No. 2	\$ 2,472,099
TID No. 3	398,926
TID No. 4	(2,768)

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Tax Incremental Financing Districts (Continued)

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.

D. Restatement of Beginning Net Position and Fund Balance

During fiscal year 2023 the City determined that accrued liabilities related to the health reimbursement benefit had been overstated in several opinion units including the general, marina and library governmental funds and for governmental activities, in the amounts of \$999,728, \$43,219, \$35,647, and \$291,422, respectively. Therefore, the City recorded a restatement adjustment to decrease liabilities and to increase fund balance / net position by the previously stated amounts.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Subsequent Events

During April of 2024, the Common Council approved a resolution authorizing the issuance and sale of up to \$21,505,374 of taxable water system revenue bonds, series 2024.

During May of 2024, the Common Council approved a resolution authorizing the issuance and sale of up to \$12,850,100 of taxable sewer system revenue bonds, series 2024 through the Wisconsin Department of Natural Resources through its clean water fund loan program.

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 *

	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service Cost	\$ 62,453	\$ 77,508	\$ 70,171	\$ 38,456	\$ 48,957	\$ 48,957
Interest	15,242	21,506	23,758	27,095	24,660	24,660
Changes of Benefit Terms	-	-	-	-	-	340,009
Differences Between Expected and Actual Experience	(112,621)	(126,627)	-	(378,657)	625	(197)
Changes of Assumptions	73,845	(83,237)	32,651	179,862	-	-
Benefit Payments	(106,614)	(44,107)	(32,609)	(11,801)	(14,545)	(14,545)
Net Change in Total OPEB Liability	(67,695)	(154,957)	93,971	(145,045)	59,697	398,884
Total OPEB Liability - Beginning	784,176	939,133	845,162	990,207	930,510	531,626
Total OPEB Liability - Ending	<u>\$ 716,481</u>	<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	\$ 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	13.32%	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
12/31/22	0.04245264	2,249,015	6,025,128	37.33	95.72

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
12/31/23	584,499	584,499	-	6,316,398	9.25

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
12/31/22	0.14075700	536,260	5,526,000	9.70	38.81

**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	-	5,526,000	0.05
12/31/23	3,014	3,014	-	6,316,398	0.05

See Notes to Required Supplementary Information.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

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

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 amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The City is required to present the last 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 to the basic financial statements.

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, 2023**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (LRLIF)

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

The ETF 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 amounts reported for each fiscal year were determined as of the prior fiscal year-end. 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, 2023**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
TAXES				
General Property	\$ 3,715,144	\$ 3,715,144	\$ 3,204,889	\$ (510,255)
Pubic Accommodation (Room) Taxes	105,000	105,000	101,079	(3,921)
Interest and Penalties	300	300	199	(101)
Total Taxes	3,820,444	3,820,444	3,306,167	(514,277)
INTERGOVERNMENTAL				
State:				
State Shared Taxes	2,704,514	2,704,514	2,694,485	(10,029)
Personal Property Tax	14,880	14,880	14,881	1
Exempt Computer State Aid	11,395	11,395	11,395	-
Fire Insurance	55,000	55,000	64,715	9,715
Other Public Safety	13,000	13,000	74,032	61,032
Law Enforcement Grants	27,000	27,000	2,720	(24,280)
General Transportation Aid	895,415	895,415	893,416	(1,999)
Other State Grants	28,472	28,472	43,471	14,999
Total Intergovernmental	3,749,676	3,749,676	3,799,115	49,439
LICENSES AND PERMITS				
Licenses:				
Liquor and Malt Beverage	17,010	17,010	20,493	3,483
Bartender Operator's Licenses	6,450	6,450	8,075	1,625
Cigarette Licenses	1,200	1,200	800	(400)
Cable Television Fees	105,000	105,000	91,299	(13,701)
Other Business	5,000	5,000	4,200	(800)
Dog and Cat	1,700	1,700	1,280	(420)
Permits:				
Building	170,000	170,000	131,091	(38,909)
Plumbing	31,000	31,000	26,224	(4,776)
Inspection Administration Fees	200	200	-	(200)
Electrician	26,000	26,000	24,056	(1,944)
Occupancy	25,000	25,000	28,800	3,800
Other Permits	1,720	1,720	1,770	50
Zoning Fees	11,940	11,940	4,450	(7,490)
Total Licenses and Permits	402,220	402,220	342,538	(59,682)

CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
FINES AND FORFEITS				
Court Penalties and Costs	\$ 138,000	\$ 138,000	\$ 41,979	\$ (96,021)
Parking Violations	30,000	30,000	28,868	(1,132)
Total Fines and Forfeits	168,000	168,000	70,847	(97,153)
PUBLIC CHARGES FOR SERVICES				
Clerk's Fees	8,000	8,000	7,177	(823)
Publication Fees	600	600	700	100
Police Department Fees	3,600	3,600	7,962	4,362
Fire Department Fees	133,000	133,000	138,229	5,229
Ambulance Fees	583,300	583,300	628,515	45,215
Other Public Safety	15,000	15,000	8,149	(6,851)
County Highway Maintenance and Construction	1,040	1,040	216	(824)
Recreation Programs	328,513	328,513	296,807	(31,706)
Senior Center	6,122	6,122	82,011	75,889
Total Public Charges for Services	1,079,175	1,079,175	1,169,766	90,591
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Police Liaison Officer	68,228	68,228	68,228	-
MISCELLANEOUS				
Interest Income	20,250	20,250	358,318	338,068
Rental Income	115,000	115,000	93,166	(21,834)
Donations	-	-	13,623	13,623
Third-Party Reimbursement	500,000	500,000	500,000	-
Other Miscellaneous Revenue	88,957	88,957	132,246	43,289
Total Miscellaneous	724,207	724,207	1,097,353	373,146
Total Revenues	<u>\$ 10,011,950</u>	<u>\$ 10,011,950</u>	<u>\$ 9,854,014</u>	<u>\$ (157,936)</u>

CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Mayor, Council, and Boards	\$ 46,107	\$ 46,107	\$ 39,950	\$ 6,157
Administrator	451,011	451,011	469,019	(18,008)
Elections	139,456	139,456	114,027	25,429
Treasurer	732,342	732,342	160,910	571,432
Assessor	41,000	41,000	40,824	176
Legal	149,000	149,000	179,873	(30,873)
Municipal Court	48,000	48,000	-	48,000
Insurance	258,683	258,683	375,569	(116,886)
Human Resources	242,460	242,460	238,173	4,287
Building and Plant	107,572	107,572	94,548	13,024
Total General Government	2,215,631	2,215,631	1,712,893	502,738
PUBLIC SAFETY				
Police	3,492,777	3,492,777	3,553,369	(60,592)
Crossing Guards	43,281	43,281	29,484	13,797
Fire Protection	448,995	448,995	444,605	4,390
Inspections	159,373	159,373	145,410	13,963
Ambulance	411,195	411,195	536,721	(125,526)
Emergency Government	1,250	1,250	-	1,250
Total Public Safety	4,556,871	4,556,871	4,709,589	(152,718)
PUBLIC WORKS				
Administration	98,657	98,657	91,153	7,504
Engineering	139,495	139,495	224,827	(85,332)
Vehicle Operation and Maintenance	471,909	471,909	387,687	84,222
Highway and Street Maintenance	283,165	283,165	465,237	(182,072)
Street Signs	102,000	102,000	106,740	(4,740)
Street Clearing	21,500	21,500	26,141	(4,641)
Street Lighting	223,466	223,466	242,196	(18,730)
Storm Sewer Maintenance	66,400	66,400	51,898	14,502
Tree and Brush Removal	172,352	172,352	124,436	47,916
Snow and Ice Removal	111,200	111,200	108,921	2,279
Refuse and Garbage Collection	461,000	461,000	504,660	(43,660)
Weed Control	35,770	35,770	70,297	(34,527)
Total Public Works	2,186,914	2,186,914	2,404,193	(217,279)
HEALTH AND HUMAN SERVICES				
Public Health Services	9,200	9,200	3,683	5,517

CITY OF PORT WASHINGTON, WISCONSIN
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
CULTURE AND RECREATION				
Parks Utility Costs	\$ 1,701	\$ 1,701	\$ -	\$ 1,701
Senior Center	138,644	138,644	236,741	(98,097)
Recreation Programs and Events	125,621	125,621	112,672	12,949
Recreation Administration	315,613	315,613	307,571	8,042
Celebrations	32,866	32,866	37,177	(4,311)
Park Maintenance	567,468	567,468	523,005	44,463
Swimming	185,810	185,810	184,035	1,775
Concessions - Swimming Pool Related	27,765	27,765	13,740	14,025
Total Culture and Recreation	1,395,488	1,395,488	1,414,941	(19,453)
CONVERSATION AND DEVELOPMENT				
Community Development	142,846	142,846	129,113	13,733
Total Expenditures	<u>\$ 10,506,950</u>	<u>\$ 10,506,950</u>	<u>\$ 10,374,412</u>	<u>\$ 132,538</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	Special Revenue							
	Marina	Revolving Loan	Library	Tourism	Open Spaces	Tree Replacement	Payments to Townships	Senior Center
ASSETS								
Cash and Investments	\$ -	\$ 419,831	\$ 526,727	\$ 6,366	\$ 426,769	\$ 149,193	\$ 375	\$ -
Receivables:								
Taxes and Special Charges	-	-	260,192	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Loans	-	446,714	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 866,545</u>	<u>\$ 786,919</u>	<u>\$ 6,366</u>	<u>\$ 426,769</u>	<u>\$ 149,193</u>	<u>\$ 375</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ 12,369	\$ 6,366	\$ -	\$ -	\$ -	\$ -
Accrued and Other Current Liabilities	-	-	7,874	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>20,243</u>	<u>6,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year	-	-	565,010	-	-	-	-	-
Unavailable Revenue	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>565,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Restricted	-	866,545	201,666	-	-	-	-	-
Committed	-	-	-	-	426,769	149,193	375	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>866,545</u>	<u>201,666</u>	<u>-</u>	<u>426,769</u>	<u>149,193</u>	<u>375</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 866,545</u>	<u>\$ 786,919</u>	<u>\$ 6,366</u>	<u>\$ 426,769</u>	<u>\$ 149,193</u>	<u>\$ 375</u>	<u>\$ -</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2023**

	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
ASSETS								
Cash and Investments	\$ 228,967	\$ 823,039	\$ -	\$ -	\$ -	\$ 642,487	\$ -	\$ -
Receivables:								
Taxes and Special Charges	73,105	-	-	-	-	344,652	33,095	-
Accounts	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 302,072</u>	<u>\$ 823,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 987,139</u>	<u>\$ 33,095</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 20,607	\$ 11,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and Other Current Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	105,155	-
Unearned Revenues	-	760,443	-	-	-	-	-	-
Total Liabilities	<u>20,607</u>	<u>771,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,155</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year	241,735	-	-	-	-	748,416	71,866	-
Unavailable Revenue	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>241,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>748,416</u>	<u>71,866</u>	<u>-</u>
FUND BALANCES								
Restricted	-	-	-	-	-	238,723	-	-
Committed	39,730	51,234	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(143,926)	-
Total Fund Balances	<u>39,730</u>	<u>51,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,723</u>	<u>(143,926)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 302,072</u>	<u>\$ 823,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 987,139</u>	<u>\$ 33,095</u>	<u>\$ -</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2023**

	Capital Projects (Continued)			
	2021	2022		
	Capital	Capital		
	Borrowing	Borrowing		
TID No. 4			Total	
ASSETS				
Cash and Investments	\$ 29,198	\$ -	\$ 685,859	\$ 3,938,811
Receivables:				
Taxes and Special Charges	22,560	-	-	733,604
Accounts	280,000	-	-	280,000
Loans	-	-	-	446,714
Total Assets	\$ 331,758	\$ -	\$ 685,859	\$ 5,399,129
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 685,859	\$ 736,563
Accrued and Other Current Liabilities	-	-	-	7,874
Due to Other Funds	-	-	-	105,155
Unearned Revenues	-	-	-	760,443
Total Liabilities	-	-	685,859	1,610,035
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	48,990	-	-	1,676,017
Unavailable Revenue	280,000	-	-	280,000
Total Deferred Inflows of Resources	328,990	-	-	1,956,017
FUND BALANCES				
Restricted	2,768	-	-	1,309,702
Committed	-	-	-	667,301
Unassigned	-	-	-	(143,926)
Total Fund Balances	2,768	-	-	1,833,077
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 331,758	\$ -	\$ 685,859	\$ 5,399,129

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	Special Revenue							
	Marina	Revolving Loan	Library	Tourism	Open Spaces	Tree Replacement	Payments to Townships	Senior Center
REVENUES								
Taxes	\$ -	\$ -	\$ 511,276	\$ 222,374	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	10,000	-	-	-	-	-
Public Charges for Services	-	-	18,982	-	-	-	-	-
Intergovernmental Charges for Services	-	-	129,116	-	-	-	-	-
Miscellaneous	-	41,249	31,021	-	145,071	-	-	-
Total Revenues	-	41,249	700,395	222,374	145,071	-	-	-
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	-	1,021	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Human Services	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	658,581	-	-	-	-	-
Conservation and Development	-	8,799	-	222,366	-	24,949	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	-	8,799	658,581	222,366	-	24,949	1,021	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	32,450	41,814	8	145,071	(24,949)	(1,021)	-
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(462,680)	-	-	-	-	-	-	(14,987)
Total Other Financing Sources (Uses)	(462,680)	-	-	-	-	-	-	(14,987)
NET CHANGE IN FUND BALANCES	(462,680)	32,450	41,814	8	145,071	(24,949)	(1,021)	(14,987)
Fund Balances - Beginning of Year, as Originally Reported	419,461	834,095	124,205	(8)	281,698	174,142	1,396	14,987
Restatement	43,219	-	35,647	-	-	-	-	-
Fund Balances- January 1, as Restated	462,680	834,095	159,852	(8)	281,698	174,142	1,396	14,987
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 866,545</u>	<u>\$ 201,666</u>	<u>\$ -</u>	<u>\$ 426,769</u>	<u>\$ 149,193</u>	<u>\$ 375</u>	<u>\$ -</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	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
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 648,931	\$ 52,286	\$ -
Intergovernmental	19,232	642,900	-	-	-	15,263	4,861	-
Public Charges for Services	235,744	-	-	-	-	-	-	-
Intergovernmental Charges for Services	-	-	-	-	-	-	-	-
Miscellaneous	-	36,143	-	564	-	81,012	-	329,610
Total Revenues	254,976	679,043	-	564	-	745,206	57,147	329,610
EXPENDITURES								
Current:								
General Government	-	164,578	87	-	-	55,123	8,750	-
Public Safety	-	438,850	-	-	-	-	-	-
Public Works	249,994	-	-	-	-	-	-	-
Health and Human Services	-	39,956	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-
Conservation and Development	-	-	-	-	-	1,282,014	150	-
Debt Service:								
Principal	-	-	-	-	-	305,273	50,000	-
Interest and Fiscal Charges	-	-	-	-	-	82,728	7,250	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	249,994	643,384	87	-	-	1,725,138	66,150	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,982	35,659	(87)	564	-	(979,932)	(9,003)	329,610
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	(35,390)	(49,798)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(35,390)	(49,798)	-	-	-
NET CHANGE IN FUND BALANCES	4,982	35,659	(87)	(34,826)	(49,798)	(979,932)	(9,003)	329,610
Fund Balances - Beginning of Year, as Originally Reported	34,748	15,575	87	34,826	49,798	1,218,655	(134,923)	(329,610)
Restatement	-	-	-	-	-	-	-	-
Fund Balances- January 1, as Restated	34,748	15,575	87	34,826	49,798	1,218,655	(134,923)	(329,610)
FUND BALANCES - END OF YEAR	<u>\$ 39,730</u>	<u>\$ 51,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,723</u>	<u>\$ (143,926)</u>	<u>\$ -</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Capital Projects (Continued)			Total
	TID No. 4	2021 Capital Borrowing	2022 Capital Borrowing	
REVENUES				
Taxes	\$ 41,851	\$ -	\$ -	\$ 1,476,718
Intergovernmental	-	591,981	-	1,284,237
Public Charges for Services	-	-	-	254,726
Intergovernmental Charges for Services	-	-	-	129,116
Miscellaneous	-	354,794	-	1,019,464
Total Revenues	41,851	946,775	-	4,164,261
EXPENDITURES				
Current:				
General Government	150	-	-	229,709
Public Safety	-	-	-	438,850
Public Works	-	-	-	249,994
Health and Human Services	-	-	-	39,956
Culture and Recreation	-	-	-	658,581
Conservation and Development	39,758	-	-	1,578,036
Debt Service:				
Principal	-	-	-	355,273
Interest and Fiscal Charges	-	-	-	89,978
Capital Outlay	-	620,984	780,845	1,401,829
Total Expenditures	39,908	620,984	780,845	5,042,206
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,943	325,791	(780,845)	(877,945)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	85,188	-	85,188
Transfers Out	-	(519,417)	(46,800)	(1,129,072)
Total Other Financing Sources (Uses)	-	(434,229)	(46,800)	(1,043,884)
NET CHANGE IN FUND BALANCES	1,943	(108,438)	(827,645)	(1,921,829)
Fund Balances - Beginning of Year, as Originally Reported	825	108,438	827,645	3,676,040
Restatement	-	-	-	78,866
Fund Balances- January 1, as Restated	825	108,438	827,645	3,754,906
FUND BALANCES - END OF YEAR	<u>\$ 2,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,833,077</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2024.

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 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

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 response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
June 7, 2024

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

Section I – Internal Control Over Financial Reporting

Finding No.

2023-001

Adjustments to the City's Financial Records

Type of Finding:

Material Weakness in Internal Control over Financial Reporting
Repeat finding of 2022-001

Condition:

During the audit process, the Finance Director and CLA reviewed the accounting treatment related to the accrual of the City's health reimbursement account liability. As part of the analysis of the terms of the City provided benefit and historical accounting treatment, a restatement journal entry that was material to the City's financial statements was identified and recorded.

Criteria or Specific Requirement:

Material adjusting journal entries that are recorded during the audit process are considered to be an internal control deficiency.

Effect:

Year-end financial records prepared by the City may contain material misstatements.

Cause:

As of December 31, 2022, the City overstated the amount of the health reimbursement account liability by a material amount.

Recommendation:

We recommend that management of the City continue to review any adjusting entries proposed as part of the audit process and also continue to review a draft of the financial statements prior to issuance.

Management's Response:

The Finance Director will continue to review adjusting and closing entries, as well as continue to review a draft of the financial statements prior to issuance.

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

Section I – Internal Control Over Financial Reporting (Continued)

Finding No.

2023-002

Segregation of Duties

Type of Finding:

Material Weakness in Internal Control over Financial Reporting
Repeat finding of 2022-003

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.

Management's Response:

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. There are a variety of mitigating controls currently in place to help identify potential errors or fraud. These processes include monthly detailed reports to the Council on the payments issued by the city, analytical reviews of budget to actual amounts by the finance department in preparation of the city's quarterly budget reports, quarterly budget reports issued to the Council and Department Heads, and analytical review of all revenues and expenditures during budget development. In addition, all department heads and several support staff also have online access to review the detailed transactions that have been posted to their respective accounts at any time.

