

CITY OF WATERTOWN

Watertown, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

CITY OF WATERTOWN

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Watertown
Watertown, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Watertown's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Watertown's preparation and fair presentation of the financial statements 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 of Watertown's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 of Watertown, Wisconsin, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City of Watertown adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 15, 2020

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

Our discussion and analysis of the City of Watertown's financial performance provides an overview of the City's financial activities for the fiscal year that ended on December 31, 2019. Please read it in conjunction with the City's financial statements following this section:

FINANCIAL HIGHLIGHTS

- ◆ The City's total net position at the end of 2019 totaled \$143.1 million, which is an increase of \$6.2 million or 5.0% from 2018. Of the \$143.1 million in total net position, \$56.2 million was related to governmental activities and \$86.9 million was related to business-type activities.
- ◆ During the year, the City's governmental activities expenses were \$1.0 million less than the \$30.1 million generated in taxes and other revenues for the governmental programs. This is compared to 2018 when expenses exceeded revenues by \$1.6 million and 2017 when expenses exceeded revenues by \$1.0 million.
- ◆ In the City's business-type activities, revenues and capital grants contributions increased from \$12.9 million to \$13.2 million and expenses remained steady at \$8.5 million. Capital contributions remained at \$0.1 million in 2019 as in 2018. Charges for services remained steady at \$12.6 million. Expenses decreased by \$0.1 million in the Water Utility, remained steady in the Wastewater Utility and increased by \$0.1 million in the Storm Water Utility.
- ◆ The total cost of the City's governmental activities programs decreased \$0.1 million or 0.4% to \$28.6 million.
- ◆ The combined fund balance of the governmental funds increased to \$17.7 million, an increase of \$1.4 million from the prior year.
- ◆ Capital assets for the City decreased \$2.0 million from \$166.0 million in 2018. Governmental activities saw a decrease of \$1.1 million and the business-type activities decreased \$0.9 million due to depreciation.
- ◆ General obligation debt for governmental activities decreased from \$37.3 million to \$34.7 million. The City issued \$3.115 million in general obligation promissory notes of which \$2.5 million was new general obligation debt and \$615,000 refunded prior debt to realize interest savings. Revenue debt of business-type activities decreased from \$21.4 million to \$18.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts:

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

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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

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

Government-wide Statements

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

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

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

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

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

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

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

The City has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. The City's combined net position was \$143.1 million. The majority of the net position, \$86.9 million, belongs to the business-type activities of the City. The business-type activities of the City consist of the water, sewer, and storm water utilities. The governmental activities had net position totaling \$56.2 million.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

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

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>
Current and other assets	\$ 35.7	\$ 35.4	\$ 15.7	\$ 17.3	\$ 51.4	\$ 52.8	2.7%
Capital Assets	<u>75.2</u>	<u>74.1</u>	<u>90.8</u>	<u>89.9</u>	<u>166.0</u>	<u>164.0</u>	(1.2)%
Total assets	110.9	109.5	106.5	107.2	217.4	216.8	(0.3)%
Pension related amounts	4.2	7.5	0.5	0.9	4.7	8.4	78.7%
Unamortized loss on advance refunding	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	0.0%
Total deferred outflows of resources	4.2	7.5	0.6	1.0	4.8	8.5	77.1%
Long-term debt outstanding	33.8	31.3	19.9	16.8	53.7	48.1	(10.4)%
Other liabilities	<u>7.6</u>	<u>10.3</u>	<u>3.4</u>	<u>4.0</u>	<u>11.0</u>	<u>14.3</u>	30.0%
Total liabilities	41.4	41.6	23.3	20.8	64.7	62.4	(3.6)%
Pension Related amounts	4.5	3.8	0.5	0.5	5.0	4.3	(14.0)%
Unearned revenues	<u>15.4</u>	<u>15.3</u>	<u>-</u>	<u>-</u>	<u>15.4</u>	<u>15.3</u>	(0.7)%
Total deferred inflows of resources	19.9	19.1	0.5	0.5	20.4	19.6	(3.9)%
Net Position							
Net investment in capital assets	43.6	44.1	68.5	70.6	110.6	113.3	2.4%
Restricted	9.5	8.9	5.4	4.9	15.0	13.8	(8.0)%
Unrestricted	<u>0.6</u>	<u>3.2</u>	<u>9.3</u>	<u>11.4</u>	<u>11.4</u>	<u>16.1</u>	41.2%
Total net position-end of year	\$ 53.7	\$ 56.2	\$ 83.2	\$ 86.9	\$ 137.0	\$ 143.1	4.5%

Net position of the City's governmental activities increased \$2.5 million during 2019 bringing the total to \$56.2 million. The majority of net position was either restricted to the purposes it can be used or is invested in capital assets (buildings, roads, equipment). The governmental activities had a \$3.2 million surplus at year-end, up from \$0.6 million in 2018.

The net position of the City's business-type activities increased \$3.7 million. The unrestricted position increased by \$2.1 million from \$9.3 to \$11.4 million. The Water utility saw the largest net position increase at \$1.3 million with the Wastewater utility increasing \$1.9 million and the storm water utility increasing \$370,000.

Changes in net position. The City's 2019 total revenues (excluding capital contributions and transfers) increased by \$0.1 million bringing the total to \$39.5 million. Property taxes decreased by \$0.3 million. Charges for services in the business-type activities remained stable while charges for services in the governmental activities increased \$0.6 million. Capital grants and contributions in the governmental activities increased by \$2.4 million due to contributions towards the library expansion project. Total expenses remained stable at just over \$37.1 million. Governmental activities saw a slight decrease of \$0.1 million in expenses while the business-type activities saw a slight increase of \$0.1 million. Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

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

Table A-2
Change in City of Watertown's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>
Revenues							
Program revenues							
Charges for Services	\$ 4.2	\$ 4.8	\$12.6	\$12.6	\$ 16.8	\$ 17.4	3.6%
Capital grants and contributions	0.7	3.6	0.1	0.1	0.8	3.7	300.0%
Operating grants and contributions	2.4	2.5	-	-	2.4	2.5	4.2%
General revenues							
Property taxes	15.1	15.0	-	-	15.1	15.0	(2.0)%
Other taxes	0.4	0.3	-	-	0.4	0.3	0.0%
Intergovernmental	3.2	3.2	-	-	3.2	3.2	0.0%
Investment income	0.3	0.5	0.2	0.4	0.6	0.9	67.0%
Gain(loss) on sale of assets	-	-	-	-	0.0	0.0	0.0%
Others	<u>0.9</u>	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>0.9</u>	<u>0.2</u>	(77.8)%
Total revenues	27.2	30.1	12.9	13.1	40.2	43.2	6.2%
Expenses							
General government	2.6	2.4	-	-	2.6	2.4	(7.7)%
Public safety	8.2	9.0	-	-	8.2	9.0	11.0%
Public works	9.1	9.0	-	-	9.1	9.0	(1.1)%
Health and human services	0.8	0.9	-	-	0.8	0.9	12.5%
Culture, education and recreation	3.8	4.2	-	-	3.8	4.2	10.5%
Conservation and development	3.0	2.0	-	-	3.0	2.0	(33.3)%
Interest and fiscal charges	1.2	1.1	-	-	1.2	1.1	(8.3)%
Water	-	-	3.3	3.2	3.3	3.2	(3.0)%
Wastewater	-	-	3.9	3.9	3.9	3.9	0.0%
Storm water	<u>-</u>	<u>-</u>	<u>1.3</u>	<u>1.4</u>	<u>1.3</u>	<u>1.4</u>	7.7%
Total expenses	28.7	28.6	8.5	8.5	37.2	37.1	0.3%
Excess (Deficiency) before transfers	(1.5)	1.5	4.4	4.6	3.0	6.1	86.7%
Transfers	<u>1.0</u>	<u>1.0</u>	<u>(1.0)</u>	<u>(1.0)</u>	<u>0.0</u>	<u>0.0</u>	-
CHANGE IN NET POSITION	(0.5)	2.5	3.4	3.6	3.0	6.1	
BEGINNING NET POSITION	\$54.3	\$53.7	79.7	83.2	\$ 134.0	\$ 137.0	
ENDING NET POSITION	\$53.7	\$56.2	\$ 83.2	\$ 86.9	\$ 137.0	\$ 143.1	4.1%

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

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

Governmental Activities. Revenues for the City's governmental activities increased \$2.9 million or 11.0% totaling \$30.1 million. Property taxes account for half of the total, followed by charges for services and intergovernmental revenues. Shared revenue from the State of Wisconsin makes up most of the intergovernmental revenues. EMS charges, building permits, court fines, cable TV, and recreation fees are included in charges for services. Property taxes decreased by \$0.3 million or 2.0% in 2019. Capital grants and contributions saw a dramatic increase this year due to contributions to the library expansion project.

Governmental activities expenses decreased by \$0.1 million or 0.3% to \$28.6 million. Public safety expenditures saw the largest increase at \$0.9 million while conservation and development decreased by \$1.0 million. Other general government expenditure categories remained consistent. Public safety expense includes police, fire, and building, safety and zoning. Culture, education and recreation include the library and park and recreation departments and the tourism fund. Revenues exceeded expenses by \$1.0 million prior to transfers of \$1.0 million.

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

- ◆ The cost of all *governmental* activities during 2019 was \$28.6 million.
- ◆ The net cost for these activities was \$18.1 million with \$15.0 million coming from property taxes and the remainder from unrestricted shared revenue and from other revenues like interest.
- ◆ The balance of the costs of the *governmental* activities was paid for by:
 - Those who directly benefited from the programs by paying for services or
 - Other governments and organizations that subsidized certain programs with grants and contributions.

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

	Total Cost Of Services		Percentage Change	Net Cost Of Services		Percentage Change
	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>
General government	\$ 2.6	\$ 2.4	(7.7)%	\$ 2.2	\$ 2.0	(9.0)%
Public safety	8.2	9.0	11.0%	6.7	7.1	6.0%
Public works	9.1	9.0	(1.1)%	5.9	5.5	(6.8)%
Health and human services	0.8	0.9	12.5%	0.2	0.4	100.0%
Culture, education and recreation	3.8	4.2	10.5%	2.1	0.0	(100.00)%
Conservation and development	3.0	2.0	(33.3)%	3.0	2.0	(33.3)%
Other	<u>1.2</u>	<u>1.1</u>	<u>(8.3)%</u>	<u>1.2</u>	<u>1.1</u>	<u>(8.3)%</u>
Total	\$ 28.7	\$ 28.6	(0.3)%	\$21.4	\$18.1	(15.4)%

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

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

Business-type Activities. Revenues of the City's business-type activities charges for services remained stable at \$12.6 million. Expenses also remained consistent with only slight fluctuations from 2018-2019. (Refer to Table A-4).

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

	Water Utility		Wastewater Utility		Storm Water Utility		Total		Total Percentage Change 2018-2019
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	
Revenues									
Program revenues									
Capital grants and contributions	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.0%
Charges for services	5.4	5.4	5.5	5.4	1.7	1.7	12.6	12.5	0.0%
General revenues									
Investment Income	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.4</u>	100.0%
Total Revenue	5.5	5.5	5.7	5.7	1.7	1.7	12.9	12.9	1.6%
Expenses	3.3	3.2	3.9	3.9	1.3	1.3	8.5	8.4	0.0%
Excess (deficiency) before transfers	2.2	2.3	1.8	1.8	0.5	0.4	4.4	4.5	2.3%
Transfers	<u>(1.0)</u>	<u>(1.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.0)</u>	<u>(1.0)</u>	0.0%
CHANGE IN NET POSITION	1.2	1.3	1.8	1.8	0.5	0.4	3.4	3.5	3.0%
BEGINNING NET POSITION	27.0	28.1	38.4	40.2	14.5	15.0	79.9	83.3	
ENDING NET POSITION	28.1	29.4	40.2	42.1	15.0	15.4	83.3	86.9	4.3%

Net position of business-type activities increased \$3.6 million from the 2018 amount. The Wastewater Utility increased \$1.9 million followed by the Water Utility with \$1.3 million and Storm Water Utility with \$0.4 million. Total revenues increased from \$12.9 million to \$13.1 million or 1.6%. Charges for services remained consistent in all three utilities with only water decreasing slightly by \$0.1 million.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

As the City completed the year, its governmental funds reported a combined fund balance of \$17.7 million, an increase of \$1.4 million from the previous year. Of the combined governmental fund balance, \$0.3 million is non-spendable and \$12.4 million is restricted, committed or assigned. This leaves \$5.0 million that is unassigned.

Table A-5
City of Watertown Governmental Fund Balance

	2018	2019
Non-spendable:		
General Fund	\$ 273,034	\$ 286,667
Other Funds	32,298	34,458
Restricted:		
EMT/Act 102	3,742	6,026
Debt Fund	32,225	83,804
Other Funds	8,230,542	8,888,392
Committed:		
Capital project funds	1,260,262	1,242,770
Other Funds	676,014	751,438
Assigned:		
General Fund	1,416,195	1,431,372
Unassigned		
General Fund	4,481,054	5,073,123
Other Funds	(85,878)	(74,160)
Total Fund Balance	\$16,319,488	\$17,723,890

General Fund

The general fund total fund balance was \$6.8 million, which represents 40% of the final budget amount for year-end December 31, 2019. Of that amount, \$1.7 million is non-spendable or assigned. This leaves \$5.1 million or 74.6% unassigned, meaning it is available for appropriation. This amount represents 29.8% of the original general fund adopted budget expenses for the year 2019. In December of 2014, the Common Council adopted a policy stating that the undesignated fund balance should be between twenty (20%) and thirty (30%) percent of the annual adopted budget expenses, with a goal of twenty-five (25%) percent. The city's current unassigned general fund balance exceeds the goal the Common Council has set.

Debt Service Fund

The City's debt service fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. The entire fund balance of \$83,804 is restricted for future debt service.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

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

Capital Projects Funds

The City's capital projects funds account for the funds accumulated for the purpose of obtaining capital assets or for capital projects and other expenditures that are unique and are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The total fund balance as of December 31, 2019, is \$1,763,171, all of which is committed for the completion of projects that were not fully complete by year end.

Other Mon-Major Governmental Funds

The fund balance of all other governmental funds is \$9,079,727 out of which \$8.4 million is restricted with the remainder being either committed or non-spendable. The Library Trust Fund at \$3.1 million is the largest share of the non-major governmental funds (these funds have been accumulated for the upcoming library expansion project) followed by TID #4 at \$2.3 million and TID #5 at \$1.5 million.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The 2019 final budget had anticipated using \$229,431 of fund balance to balance the budget plus included \$66,878 of carryovers from the previous year which would have caused a fund balance decrease of \$296,309. Instead, final budget to actual numbers for 2019 show a general fund balance increase of \$623,163.

Total revenues overall were higher than budgeted by \$540,068. Building permits and court fines were lower than budgeted but EMS revenues, investment income and miscellaneous items such as a credit card rebate, insurance dividend and donations exceeded projections. Total expenditures were \$312,526 less than the final budget with the largest factor being salary and benefit savings during turnover of open positions in various departments.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had invested \$164.0 million in capital assets as presented in Table A-6. The largest investment was infrastructure, including roads, bridges, airport, dams, rail spur, and sidewalks, which totaled \$47.8 million net of depreciation.

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

	Governmental Activities		Business-type Activities		Total		Total Change	
	2018	2019	2018	2019	2018	2019	2017-2018	2018-2019
Buildings & improvements	11.0	10.7	-	-	11.0	10.7	(1.8)%	(2.7)%
Equipment	7.0	7.0	-	-	7.0	7.0	0.0%	(1.4)%
Infrastructure	49.2	47.8	-	-	49.2	47.8	(1.6)%	(2.8)%
Land	7.8	7.8	1.5	1.5	9.3	9.3	0.0%	0.0%
Construction in progress	0.3	0.9	0.0	0.2	0.3	1.1	200.0%	266.7%
Water System	-	-	38.1	37.4	38.1	37.4	(0.5)%	(1.8)%
Wastewater System	-	-	37.7	37.5	37.7	37.5	(2.8)%	(0.5)%
Storm Water System	-	-	13.5	13.3	13.5	13.3	0.7%	(1.5)%
Total	75.2	74.2	90.8	89.9	166.0	164.1	(1.3)%	(1.1)%

The City plans to spend approximately \$6.6 million in fiscal year 2020 in the governmental funds on capital assets. The largest planned expense is the library expansion which will begin construction in 2020 and last into 2021. Other anticipated capital spending includes continued street rehabilitation work, construction of an interurban trailhead building and machinery and equipment purchases including an ambulance, public safety radios, dump truck, IT infrastructure, police cars and a tractor. More detailed information can be found in the Notes to Financial Statements – IV. D. Capital Assets.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

Long-Term Debt

At year-end the City had \$35.6 million in general obligation bonds and notes outstanding, a decrease of \$2.9 million or 7.5% from the prior year as shown in Table A-7. \$2.2 million is anticipated to be borrowed in 2020 primarily for street reconstruction and other various equipment purchases with another \$4.2 million to be borrowed for the library expansion project. Additionally, the City plans to refinance approximately \$3.875 million in existing obligations for the purpose of interest savings.

Revenue bonds decreased \$2.7 million to \$18.7 million at year end; a decrease of 12.6% from 2018. More detailed information can be found in the Notes to Financial Statements – IV.F. Long-Term Obligations.

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

	Governmental Activities		Business-type Activities		Total		Total Change	
	2018	2019	2018	2019	2018	2019	Dollar	%
General obligation bonds (backed by the City)	37.3	34.7	1.2	0.9	38.5	35.6	(3.0)%	(7.5)%
Revenue bonds and notes (backed by specific revenues)	-	-	21.4	18.7	21.4	18.7	(8.5)%	(12.6)%
Total	37.3	34.7	22.6	19.6	59.9	54.3	(5.0)%	(9.3)%

The City has the power to incur indebtedness for City purposes specified by statute in an aggregate amount, not to exceed 5 percent of the equalized value of taxable property in the City. On January 1, 2019, the City's total equalized value was \$1.574 billion giving the City a legal debt capacity of \$78.7 million. At December 31, 2019, the City is currently at 45.3% of capacity leaving additional borrowing capacity of \$43 million.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has a strategic location just north of Interstate 94 between Milwaukee and Madison. The City's tax base, currently at \$1.574 billion, increased by \$78 million over the prior year. New construction totaled \$17.9 million, a decrease from the previous year's total of \$21.7 million. A total of 29 new single family homes were constructed in 2019. Other building permits included a major addition to the Ad-Tech Industries facility and construction of a multi-family apartment building on the Marquardt Village campus.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2019

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

The 2020 general fund operating budget expenditures are at \$17,459,202 an increase of \$440,151 or 2.59% over the 2019 original budget which was the maximum allowable increase to stay within the limits for the expenditure restraint program. The budget contains projected salary increases of approximately 2% effective January 1, 2020 and anticipates using \$185,218 of fund balance mainly for capital items and one-time expenses in the general fund. The 2020 Debt Fund budgeted expenditures are at \$5.0 million, up from \$4.9 million in 2019.

In 2012, TID #3 became a donor TID for TID #4 and #5. This eliminated the need to raise tax dollars to cover the increment shortfall in TID #4 and allowed a one-time transfer funds to TID #5 for downtown redevelopment. In 2017, the Watertown Redevelopment Authority (reported as a component unit of the City of Watertown) began acquiring properties in the 100 block of West Main Street for the purpose of development of a town square in the downtown area. The properties are expected to be razed in spring/summer of 2020. The town square is anticipated to open in fall, 2021 with a combination of funding from the Redevelopment Authority, City and grants.

The City's public library is located across the street from the location of the future town square. In 2016, City voters passed a referendum to help fund a major library renovation and expansion. The City anticipates borrowing \$4.2 million towards this project in 2020. Ground-breaking is expected in summer, 2020 with completion of the project in 2021.

Sewer and storm water rates are adjusted and approved by the Public Works Commission. Storm water rates have been unchanged since December, 2015; sewer rates have been unchanged since January, 2017; and water rates have been unchanged since April, 2017. A storm water study performed in 2019 suggested a rate increase for the utility. No action has been taken on a rate increase as of spring, 2020 but a rate increase is anticipated in 2020 or 2021.

In early 2020, the COVID-19 pandemic began to affect City operations. All City staff have been retained and operations have been adjusted to ensure the safety and health of citizens and employees. It is anticipated that recreational and aquatics programming as well as emergency medical services and court fines will suffer revenue losses as a result of the COVID-19 crisis. Some revenue streams such as property taxes and building permits remain strong. Management has worked to identify areas where savings can be realized to offset any anticipated loss of revenue and is pursuing funding through the CARES Act to help fund the cost of cleaning supplies, personal protective equipment (PPE) and other expenditures resulting from the COVID-19 pandemic. It is anticipated that the City will be able to maintain its strong fund balance in the general fund despite the COVID-19 crisis.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City Clerk/Treasurer's Office, 106 Jones Street, Watertown, WI 53094.

CITY OF WATERTOWN

STATEMENT OF NET POSITION As of December 31, 2019

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Unit
ASSETS				
Cash and investments	\$ 16,435,560	\$ 11,252,439	\$ 27,687,999	\$ 776,807
Taxes receivable	15,860,990	-	15,860,990	-
Other receivables (net)	2,216,919	1,083,187	3,300,106	287,067
Prepaid items and inventories	237,623	171,389	409,012	-
Other assets	-	8,825	8,825	-
Property held for resale	-	-	-	550,000
Internal balances	539,551	(539,551)	-	-
Restricted assets				
Cash and investments	80,076	5,410,687	5,490,763	-
Capital Assets				
Construction in progress	902,337	183,702	1,086,039	439,689
Land	7,842,775	1,524,214	9,366,989	-
Other capital assets, net of depreciation	65,412,411	88,153,469	153,565,880	-
Total Assets	<u>109,528,242</u>	<u>107,248,361</u>	<u>216,776,603</u>	<u>2,053,563</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	7,484,275	908,002	8,392,277	-
Unamortized loss on advance refunding	-	72,909	72,909	-
Total Deferred Outflows of Resources	<u>7,484,275</u>	<u>980,911</u>	<u>8,465,186</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	1,230,397	500,565	1,730,962	20,457
Other liabilities	395,104	-	395,104	3,442
Liabilities Payable From Restricted Assets				
Current portion of revenue bonds	-	2,841,163	2,841,163	-
Accrued interest	-	75,505	75,505	-
Noncurrent Liabilities				
Due within one year	5,816,923	296,606	6,113,529	-
Due in more than one year	31,339,759	16,797,649	48,137,408	297,231
Net pension liability	2,790,907	307,502	3,098,409	-
Total Liabilities	<u>41,573,090</u>	<u>20,818,990</u>	<u>62,392,080</u>	<u>321,130</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	3,826,437	461,993	4,288,430	-
Unearned revenues	15,381,182	-	15,381,182	-
Total Deferred Inflows of Resources	<u>19,207,619</u>	<u>461,993</u>	<u>19,669,612</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	44,062,934	70,621,745	113,263,673	439,689
Restricted for				
Debt service	-	1,894,080	1,894,080	-
TID activities	3,780,772	-	3,780,772	-
Grant programs	79,195	-	79,195	-
Loan programs	982,409	-	982,409	-
Developer fees	115,679	-	115,679	-
Trust purposes	18,200	-	18,200	-
Library	3,916,539	-	3,916,539	-
Other	37,035	-	37,035	-
Capital asset replacement	-	2,858,293	2,858,293	-
Depreciation	-	129,731	129,731	-
Unrestricted	<u>3,239,045</u>	<u>11,444,440</u>	<u>16,104,491</u>	<u>1,292,744</u>
TOTAL NET POSITION	<u>\$ 56,231,808</u>	<u>\$ 86,948,289</u>	<u>\$ 143,180,097</u>	<u>\$ 1,732,433</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities								
General government	\$ 2,408,369	\$ 362,009	\$ 4,859	\$ -	\$ (2,041,501)	\$ -	\$ (2,041,501)	
Public safety	9,061,649	1,633,057	321,239	-	(7,107,353)	-	(7,107,353)	
Public works	8,974,963	1,726,439	1,644,339	137,976	(5,466,209)	-	(5,466,209)	
Health and human services	906,448	288,899	178,024	-	(439,525)	-	(439,525)	
Culture, education, and recreation	4,156,490	811,927	371,680	3,503,232	530,349	-	530,349	
Conservation and development	1,958,936	-	-	-	(1,958,936)	-	(1,958,936)	
Interest and fiscal charges	1,108,231	-	-	-	(1,108,231)	-	(1,108,231)	
Total Governmental Activities	28,575,086	4,822,331	2,520,141	3,641,208	(17,591,406)	-	(17,591,406)	
Business-type Activities								
Water	3,175,913	5,345,598	-	39,268	-	2,208,953	2,208,953	
Wastewater	3,925,240	5,534,634	-	102,400	-	1,711,794	1,711,794	
Stormwater	1,439,568	1,729,605	-	-	-	290,037	290,037	
Total Business-type Activities	8,540,721	12,609,837	-	141,668	-	4,210,784	4,210,784	
Total Primary Government	\$ 37,115,807	\$ 17,432,168	\$ 2,520,141	\$ 3,782,876	(17,591,406)	4,210,784	(13,380,622)	
Component Unit								
Redevelopment Authority	\$ 1,842,650	\$ 79,177	\$ 1,459,353	\$ -	-	-	-	\$ (304,120)
General Revenues								
Taxes								
Property taxes, levied for general purposes					8,619,848	-	8,619,848	-
Property taxes, levied for debt service					4,815,000	-	4,815,000	-
Property taxes, tax increment					1,333,959	-	1,333,959	-
Other taxes					377,758	-	377,758	-
Intergovernmental revenues not restricted to specific programs					3,196,018	-	3,196,018	-
Investment income					551,980	407,081	959,061	1,475
Gain on sale of assets					-	39,000	39,000	-
Miscellaneous					240,240	-	240,240	-
Transfers					960,526	(960,526)	-	-
Total General Revenues and Transfers					20,095,329	(514,445)	19,580,884	1,475
Change in Net Position					2,503,923	3,696,339	6,200,262	(302,645)
NET POSITION - Beginning of Year					53,727,885	83,251,950	136,979,835	2,035,078
NET POSITION - END OF YEAR					\$ 56,231,808	\$ 86,948,289	\$ 143,180,097	\$ 1,732,433

See accompanying notes to financial statements.

CITY OF WATERTOWN

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2019

	General	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 5,935,987	\$ 83,804	\$ 1,915,520	\$ 8,500,249	\$ 16,435,560
Receivables (net)					
Taxes	9,500,278	4,850,000	6,562	1,500,564	15,857,404
Delinquent personal property taxes	3,586	-	-	-	3,586
Pledges	-	-	-	531,189	531,189
Accounts	524,306	-	-	135,877	660,183
Accrued interest	29,285	-	-	11,742	41,027
Grants	-	-	-	61,787	61,787
Special assessments	28,766	-	31,246	-	60,012
Loans	-	-	-	862,721	862,721
Due from other funds	973,911	-	-	-	973,911
Advances to other funds	61,716	-	-	-	61,716
Prepaid items	221,365	-	-	16,258	237,623
Restricted assets					
Cash and investments	80,076	-	-	-	80,076
TOTAL ASSETS	\$ 17,359,276	\$ 4,933,804	\$ 1,953,328	\$ 11,620,387	\$ 35,866,795
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 145,091	\$ -	\$ 144,006	\$ 88,397	\$ 377,494
Accrued liabilities	590,650	-	-	26,051	616,701
Due to other funds	421,025	-	-	13,335	434,360
Advances from other funds	-	-	-	61,716	61,716
Other liabilities	80,000	-	8,343	306,761	395,104
Total Liabilities	1,236,766	-	152,349	496,260	1,885,375
Deferred Inflows of Resources					
Unearned revenues	9,079,253	4,850,000	6,562	1,445,367	15,381,182
Unavailable revenues	246,069	-	31,246	599,033	876,348
Total Deferred Inflows of Resources	9,325,322	4,850,000	37,808	2,044,400	16,257,530
Fund Balances					
Nonspendable	286,667	-	-	34,458	321,125
Restricted	6,026	83,804	520,401	8,367,991	8,978,222
Committed	-	-	1,242,770	751,438	1,994,208
Assigned	1,431,372	-	-	-	1,431,372
Unassigned (deficit)	5,073,123	-	-	(74,160)	4,998,963
Total Fund Balances	6,797,188	83,804	1,763,171	9,079,727	17,723,890
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,359,276	\$ 4,933,804	\$ 1,953,328	\$ 11,620,387	\$ 35,866,795

See accompanying notes to financial statements.

CITY OF WATERTOWN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2019

Total Fund Balances - Governmental Funds	\$ 17,723,890
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV.D.	74,157,523
Some receivables that are not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note II.A.	876,348
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(2,790,907)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	7,484,275
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(3,826,437)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.	<u>(37,392,884)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 56,231,808</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	General	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 8,897,233	\$ 4,815,000	\$ -	\$ 1,457,691	\$ 15,169,924
Special assessments	-	-	7,619	-	7,619
Intergovernmental	4,544,937	-	87,777	951,084	5,583,798
Licenses and permits	417,627	-	-	1,660	419,287
Public charges for services	1,674,948	-	84,080	1,979,599	3,738,627
Intergovernmental charges for service	289,072	-	-	-	289,072
Investment income	280,969	-	87,513	133,779	502,261
Miscellaneous	228,033	-	45,103	3,439,797	3,712,933
Total Revenues	<u>16,332,819</u>	<u>4,815,000</u>	<u>312,092</u>	<u>7,963,610</u>	<u>29,423,521</u>
EXPENDITURES					
Current					
General government	2,207,897	-	-	-	2,207,897
Public safety	7,878,472	-	-	-	7,878,472
Public works	3,246,702	-	-	1,972,192	5,218,894
Health and human services	405,463	-	-	430,558	836,021
Culture, education, and recreation	2,486,209	-	-	855,483	3,341,692
Conservation and development	173,554	-	-	855,565	1,029,119
Public service enterprises	164,000	-	-	-	164,000
Capital Outlay	113,967	-	3,143,531	1,438,603	4,696,101
Debt Service					
Principal	-	4,619,690	-	1,102,480	5,722,170
Interest, issuance costs and fiscal charges	-	954,019	-	317,918	1,271,937
Principal on capital leases	-	62,367	-	-	62,367
Interest on capital leases	-	9,193	-	-	9,193
Total Expenditures	<u>16,676,264</u>	<u>5,645,269</u>	<u>3,143,531</u>	<u>6,972,799</u>	<u>32,437,863</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(343,445)</u>	<u>(830,269)</u>	<u>(2,831,439)</u>	<u>990,811</u>	<u>(3,014,342)</u>
OTHER FINANCING SOURCES (USES)					
Debt issued	-	615,000	2,500,000	-	3,115,000
Premium on debt issued	-	282,348	-	-	282,348
Sale of assets	27,082	-	25,192	8,596	60,870
Transfer in - tax equivalent	960,526	-	-	-	960,526
Transfers in	-	-	-	216,500	216,500
Transfers out	(21,000)	(15,500)	(180,000)	-	(216,500)
Total Other Financing Sources (Uses)	<u>966,608</u>	<u>881,848</u>	<u>2,345,192</u>	<u>225,096</u>	<u>4,418,744</u>
Net Change in Fund Balances	623,163	51,579	(486,247)	1,215,907	1,404,402
FUND BALANCES - Beginning of Year	<u>6,174,025</u>	<u>32,225</u>	<u>2,249,418</u>	<u>7,863,820</u>	<u>16,319,488</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,797,188</u>	<u>\$ 83,804</u>	<u>\$ 1,763,171</u>	<u>\$ 9,079,727</u>	<u>\$ 17,723,890</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds	\$ 1,404,402
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	4,696,101
Some items reported as capital outlay are not capitalized	(2,119,475)
Depreciation is reported in the government-wide statements	(3,331,080)
Net book value of assets retired	(326,594)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	
Pledge receivable	531,189
EMS services	67,030
Accrued Interest	26,360
Transit grants receivable	61,787
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(3,115,000)
Capital leases repaid	62,367
Principal repaid	5,722,170
Governmental funds report debt premiums as other financing sources; however, in the statement of net position, these are reported as additions to long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Debt premium	(282,348)
Amortization of premium	155,087
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net pension asset/liability	(5,066,690)
Deferred outflows of resources related to pensions	3,315,738
Deferred inflows of resources related to pensions	694,450
Compensated absences	(9,383)
Accrued interest on debt	17,812
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,503,923</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF NET POSITION ENTERPRISE FUNDS As of December 31, 2019

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 4,128,312	\$ 4,390,576	\$ 2,083,551	\$ 10,602,439
Interest receivable	6,253	21,470	-	27,723
Restricted assets				
Redemption account	750,365	1,219,220	-	1,969,585
Accounts receivable	436,571	469,789	147,131	1,053,491
Due from other funds	181,697	195,703	43,936	421,336
Inventories	110,578	27,037	-	137,615
Prepaid items	21,952	-	11,822	33,774
Total Current Assets	<u>5,635,728</u>	<u>6,323,795</u>	<u>2,286,440</u>	<u>14,245,963</u>
NONCURRENT ASSETS				
Restricted Assets				
Cash and investments	582,809	2,858,293	-	3,441,102
Capital Assets				
Land	210,990	648,923	664,301	1,524,214
Construction in progress	6,993	176,709	-	183,702
Property and equipment	53,813,998	59,881,471	20,762,889	134,458,358
Less: Accumulated depreciation	(16,408,443)	(22,425,799)	(7,470,647)	(46,304,889)
Other Assets				
Cash and investments	-	650,000	-	650,000
Nonutility property	750	-	-	750
Preliminary survey and investigation	-	8,075	-	8,075
Special assessments	-	1,973	-	1,973
Total Noncurrent Assets	<u>38,207,097</u>	<u>41,799,645</u>	<u>13,956,543</u>	<u>93,963,285</u>
Total Assets	<u>43,842,825</u>	<u>48,123,440</u>	<u>16,242,983</u>	<u>108,209,248</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on advance refunding	51,428	-	21,481	72,909
Deferred outflows related to pension	365,296	336,085	206,621	908,002
Total Deferred Outflows of Resources	<u>416,724</u>	<u>336,085</u>	<u>228,102</u>	<u>980,911</u>

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 46,902	\$ 395,805	\$ 645	\$ 443,352
Compensated absences	15,535	26,071	-	41,606
Accrued wages	22,727	26,433	5,739	54,899
Accrued interest	79	35	2,200	2,314
Due to other funds	960,887	-	-	960,887
Current portion of general obligation debt	10,000	5,000	240,000	255,000
Liabilities Payable From Restricted Assets				
Current portion of revenue bonds	1,050,295	1,790,868	-	2,841,163
Accrued interest	50,164	25,341	-	75,505
Total Current Liabilities	<u>2,156,589</u>	<u>2,269,553</u>	<u>248,584</u>	<u>4,674,726</u>
NONCURRENT LIABILITIES				
Long-Term Debt				
Revenue bonds	12,092,189	3,730,837	-	15,823,026
General obligation debt	30,000	30,000	635,000	695,000
Unamortized debt premium	192,019	-	34,419	226,438
Other Liabilities				
Net pension liability	114,053	124,872	68,577	307,502
Compensated absences	29,810	23,375	-	53,185
Total Noncurrent Liabilities	<u>12,458,071</u>	<u>3,909,084</u>	<u>737,996</u>	<u>17,105,151</u>
Total Liabilities	<u>14,614,660</u>	<u>6,178,637</u>	<u>986,580</u>	<u>21,779,877</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	<u>193,156</u>	<u>168,398</u>	<u>100,439</u>	<u>461,993</u>
NET POSITION				
Net investment in capital assets	24,793,541	32,759,599	13,068,605	70,621,745
Restricted for debt service	700,201	1,193,879	-	1,894,080
Restricted for capital asset replacement	-	2,858,293	-	2,858,293
Restricted for depreciation	129,731	-	-	129,731
Unrestricted	<u>3,828,260</u>	<u>5,300,719</u>	<u>2,315,461</u>	<u>11,444,440</u>
TOTAL NET POSITION	<u>\$ 29,451,733</u>	<u>\$ 42,112,490</u>	<u>\$ 15,384,066</u>	<u>\$ 86,948,289</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ENTERPRISE FUNDS

For the Year Ended December 31, 2019

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
OPERATING REVENUES				
Charges for services	\$ 5,345,598	\$ 5,534,634	\$ 1,729,605	\$ 12,609,837
Total Operating Revenues	<u>5,345,598</u>	<u>5,534,634</u>	<u>1,729,605</u>	<u>12,609,837</u>
OPERATING EXPENSES				
Operation and maintenance	1,601,111	2,120,428	876,308	4,597,847
Depreciation	<u>1,269,813</u>	<u>1,636,105</u>	<u>539,257</u>	<u>3,445,175</u>
Total Operating Expenses	<u>2,870,924</u>	<u>3,756,533</u>	<u>1,415,565</u>	<u>8,043,022</u>
Operating Income	<u>2,474,674</u>	<u>1,778,101</u>	<u>314,040</u>	<u>4,566,815</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	133,825	230,462	42,794	407,081
Amortization of premium	13,054	-	-	13,054
Loss on retirement of assets	(7,814)	-	-	(7,814)
Proceeds from sale of fixed assets	-	-	39,000	39,000
Interest expense	<u>(310,229)</u>	<u>(168,707)</u>	<u>(24,003)</u>	<u>(502,939)</u>
Total Nonoperating Revenues (Expenses)	<u>(171,164)</u>	<u>61,755</u>	<u>57,791</u>	<u>(51,618)</u>
Income Before Contributions and Transfers	2,303,510	1,839,856	371,831	4,515,197
CAPITAL CONTRIBUTIONS	39,268	102,400	-	141,668
TRANSFERS - TAX EQUIVALENT	<u>(960,526)</u>	<u>-</u>	<u>-</u>	<u>(960,526)</u>
Change in Net Position	1,382,252	1,942,256	371,831	3,696,339
NET POSITION - Beginning of Year	<u>28,069,481</u>	<u>40,170,234</u>	<u>15,012,235</u>	<u>83,251,950</u>
NET POSITION - END OF YEAR	<u><u>\$ 29,451,733</u></u>	<u><u>\$ 42,112,490</u></u>	<u><u>\$ 15,384,066</u></u>	<u><u>\$ 86,948,289</u></u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF CASH FLOWS ENTERPRISE FUNDS For the Year Ended December 31, 2019

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 5,439,590	\$ 5,598,215	\$ 1,748,398	\$ 12,786,203
Paid to suppliers for goods and services	(1,032,921)	(1,539,301)	(552,002)	(3,124,224)
Paid to employees for services	(520,769)	(528,798)	(305,023)	(1,354,590)
Net Cash Flows From Operating Activities	<u>3,885,900</u>	<u>3,530,116</u>	<u>891,373</u>	<u>8,307,389</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to city for tax equivalent	(951,629)	-	-	(951,629)
Net Cash Flows From Noncapital Financing Activities	<u>(951,629)</u>	<u>-</u>	<u>-</u>	<u>(951,629)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(1,026,938)	(1,747,937)	(230,000)	(3,004,875)
Interest paid	(314,353)	(176,702)	(28,700)	(519,755)
Acquisition and construction of capital assets	(720,399)	(1,287,236)	(382,123)	(2,389,758)
Received from sale of capital assets	-	-	39,000	39,000
Capital contributions received	39,268	102,400	-	141,668
Net Cash Flows From Capital and Related Financing Activities	<u>(2,022,422)</u>	<u>(3,109,475)</u>	<u>(601,823)</u>	<u>(5,733,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments purchased	(1,234,737)	(3,070,657)	-	(4,305,394)
Investments sold and matured	1,189,115	952,094	-	2,141,209
Investment income	127,572	208,992	42,794	379,358
Net Cash Flows From Investing Activities	<u>81,950</u>	<u>(1,909,571)</u>	<u>42,794</u>	<u>(1,784,827)</u>
Net Increase in Cash and Cash Equivalents	993,799	(1,488,930)	332,344	(162,787)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,033,558</u>	<u>6,468,470</u>	<u>1,751,207</u>	<u>11,253,235</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,027,357</u>	<u>\$ 4,979,540</u>	<u>\$ 2,083,551</u>	<u>\$ 11,090,448</u>

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 2,474,674	\$ 1,778,101	\$ 314,040	\$ 4,566,815
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation expense	1,269,813	1,636,105	539,257	3,445,175
Depreciation charged to other funds	55,962	-	-	55,962
Changes in assets, deferred outflows, liabilities and deferred inflows				
Accounts receivable	26,334	41,420	11,917	79,671
Due from other funds	11,696	22,161	6,876	40,733
Inventories	4,087	-	-	4,087
Prepaid items	(1,361)	(3,391)	(426)	(5,178)
Due to other funds	(10,303)	-	-	(10,303)
Accounts payable	446	7,056	(2,953)	4,549
Compensated absences	(5,779)	(704)	-	(6,483)
Other current liabilities	2,100	4,476	2,015	8,591
Pension related deferrals and liabilities	58,231	44,892	20,647	123,770
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 3,885,900	\$ 3,530,116	\$ 891,373	\$ 8,307,389
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of premium and loss on refunding	\$ (13,054)	\$ -	\$ 4,313	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION				
Cash and investments	\$ 4,128,312	\$ 4,390,576	\$ 2,083,551	\$ 10,602,439
Restricted cash and investments - current	750,365	1,219,220	-	1,969,585
Restricted cash and investments - noncurrent	582,809	2,858,293	-	3,441,102
Other assets - cash and investments	-	650,000	-	650,000
Total Cash and Investments	5,461,486	9,118,089	2,083,551	16,663,126
Less: Noncash equivalents	(1,434,129)	(4,138,549)	-	(5,572,678)
CASH AND CASH EQUIVALENTS	\$ 4,027,357	\$ 4,979,540	\$ 2,083,551	\$ 11,090,448

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUND As of December 31, 2019

	Tax Collection Fund
	<hr/>
ASSETS	
Cash and investments	\$ 14,930,310
Taxes receivable	<u>6,297,096</u>
Total Assets	<u>21,227,406</u>
 LIABILITIES	
Due to other taxing units	<u>21,227,406</u>
 NET POSITION	 <u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUND

For the Year Ended December 31, 2019

	<u>Tax Collection Fund</u>
ADDITIONS	
Property taxes collected for other governments	<u>\$ 20,262,264</u>
Total Additions	<u>20,262,264</u>
DEDUCTIONS	
Property taxes distributed to other governments	<u>20,262,264</u>
Total Deductions	<u>20,262,264</u>
Change in Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

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CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

City of Watertown Redevelopment Authority

The government-wide financial statements include the City of Watertown Redevelopment Authority ("RDA") as a component unit. The RDA is a legally separate organization. The board of the RDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the RDA, and also create a potential financial benefit to or burden on the city. See Note IV.I. As a component unit, the RDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2019. Separately issued financial statements of the City of Watertown Redevelopment Authority may be obtained from the RDA's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In January 2017, the GASB issued statement No. 84 - *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

Government-Wide Financial Statements

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

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

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

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

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

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- General Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The city reports the following major enterprise funds:

- Water Utility - accounts for operations of the water system
- Wastewater Utility - accounts for operations of the wastewater system
- Stormwater Utility - accounts for operations of the stormwater system

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

Transit System Fund	Developer Parks Fund
CDBG Economic Fund	Environmental Health Fund
CDBG Housing Rehab Fund	Emergency Preparedness Fund
Library Fund	Library Trust Fund
Riverfest Fund	Solid Waste Fund
Seal-A-Smile Fund	Tourism Fund

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

TID No. 4	TID No. 6
TID No. 5	TID No. 7

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

Library Trust

In addition, the city reports the following fund type:

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

Tax Collection Fund

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

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

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

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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

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

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

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

No policy exists for the following risks:

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

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2019, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

The Watertown Area Community Foundation ("the Foundation") is a community endowment fund. The Foundation is not registered with the Securities and Exchange Commission. It constitutes a contractual agreement between the city and the Foundation with respect to investment of city assets. The Foundation reports the fair value of its underlying assets annually. At December 31, 2019, the fair value of the Foundation's assets was substantially equal to the city's share as reported in Note IV. A.

See Note IV. A. for further information.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

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

Property tax calendar - 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	April 30, 2020
Third installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale - 2019 delinquent real estate taxes	October 2022

Accounts receivable have been shown net of an allowance for uncollectible accounts for EMS of \$476,247. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and wastewater utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$83,174.

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

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

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

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

Fund Financial Statements

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

6. Deferred Outflows of Resources

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

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

7. Compensated Absences

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Compensated Absences (cont.)

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retiring from the city meeting certain age requirements and with a minimum of ten years of service. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert \$60 (police union \$50/day) per day for up to 120 days of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The premiums are paid 50 percent by the converted sick leave and 50 percent by the employee. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is 5. The total amount outstanding at year-end to be paid in the future is not material to these financial statements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019, are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

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

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

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

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$3,500,000, made up of one issue.

9. Deferred Inflows of Resources

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 44,062,934	\$ 70,621,745	\$ (1,421,006)	\$ 113,263,673
Unrestricted	3,239,045	11,444,440	1,421,006	16,104,491

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Clerk/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

The city has a formal minimum fund balance policy. That policy is to maintain an unassigned general fund balance within a range of 20% to 30% of annual general fund budgeted expenditures, with a targeted goal of 25%. The unassigned general fund balance at year end was \$5,073,123 or 30% of 2019 general fund budgeted expenditures.

See Note IV. H. for further information.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Pension

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

12. Basis for Existing Rates

Water Utility

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

Wastewater Utility

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

Stormwater Utility

Current stormwater rates were approved by the city council effective January 2, 2016.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that some receivables that are not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. The details of this \$345,159 difference are as follows:

Special assessments receivable	\$ 60,012
Loans receivable	197,000
Transit accounts receivable	61,787
Accrued Interest	26,360
Library pledges	<u>531,189</u>
Combined Adjustment for Unavailable Revenue	<u>\$ 876,348</u>

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

Bonds and notes payable	\$ 34,685,270
Compensated absences	1,118,346
Capital leases	133,644
Accrued interest	236,203
Premium on debt	<u>1,219,421</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 37,392,884</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt service fund	\$ 5,588,500	\$ 5,660,769	\$ 72,269
TID No. 4 capital projects fund	657,813	662,094	4,281
TID No. 5 capital projects fund	911,041	1,503,648	592,607
TID No. 6 capital projects fund	68,075	68,225	150
Library trust	26,000	577,929	551,929
CDBG economic fund	-	700,000	700,000
Riverfest fund	445,650	452,632	6,982
Developer parks fund	-	22,651	22,651

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

B. DEFICIT BALANCES

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

As of December 31, 2019, the following individual funds held a deficit balance:

Fund	Amount	Reason
TID No. 6 capital projects fund	\$ 13,335	Excess of expenditures over revenues
TID No. 7 capital projects fund	61,716	Excess of expenditures over revenues

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 2,166,387	\$ 2,660,922	Custodial credit
U.S. agencies - implicitly guaranteed	5,105,046	5,105,046	Credit, Custodial credit, Concentration of credit, interest rate
U.S. agencies - explicitly guaranteed	505,654	505,654	Custodial credit, Interest rate
Watertown Area Community Foundation	1,139	1,139	Interest rate, Credit
LGIP	28,556,306	28,556,306	Credit
State & local bonds	25,107	25,107	Credit, Custodial credit, Concentration of credit, Interest rate
Certificates of deposit (negotiable)	7,050,364	7,050,364	Credit, Custodial credit, Concentration of credit, interest rate
2a-7 pool	609,000	609,000	Credit risk
Cash on hand	4,086,755	-	N/A
Petty cash	3,314	-	N/A
Total Deposits and Investments	<u>\$ 48,109,072</u>	<u>\$ 44,513,538</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 27,687,999		
Restricted cash and investments	5,490,763		
Per statement of fiduciary net position - custodial fund			
Cash and investments	<u>14,930,310</u>		
Total Deposits and Investments	<u>\$ 48,109,072</u>		

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

The city maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of \$5,349,760 to secure the city's deposits.

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

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

- > Quoted market prices for similar assets

Investment Type	December 31, 2019			
	Level 1	Level 2	Level 3	Total
U.S. agencies - implicitly guaranteed	\$ -	\$ 5,105,046	\$ -	\$ 5,105,046
U.S. agencies - explicitly guaranteed	-	505,654	-	505,654
Certificates of deposits (negotiable)	-	7,050,364	-	7,050,364
State & local bonds	-	25,107	-	25,107
Total	<u>\$ -</u>	<u>\$ 12,686,171</u>	<u>\$ -</u>	<u>\$ 12,686,171</u>

Custodial Credit Risk

Deposits

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

As of December 31, 2019, \$129,886 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 129,886</u>
Total	<u>\$ 129,886</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

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

Credit Risk

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

As of December 31, 2019, the city's investments were rated as follows:

Investment Type	Amount	Standard & Poors	Moody's Investors Services	Not Rated
U.S agencies - implicitly guaranteed	\$ 4,806,102	AA+		
U.S agencies - implicitly guaranteed	298,944	A-1+		
Certificates of deposits (negotiable)	940,586	A+		
Certificates of deposits (negotiable)	251,103	A-		
Certificates of deposits (negotiable)	250,142	A-1		
Certificates of deposits (negotiable)	500,230	A-2		
Certificates of deposits (negotiable)	398,669	BBB+		
Certificates of deposits (negotiable)	408,717	BBB		
Certificates of deposits (negotiable)	175,801	BBB-		
Certificates of deposits (negotiable)	3,467,562			Not rated
Certificates of deposits (negotiable)	657,554		P-1-P-3	
2a-7 pool	609,000	AAAm		
State & Local Bonds	25,107		Aa2	
U.S. agencies - explicitly guaranteed	<u>505,654</u>	AA+		
Total	<u>\$13,295,171</u>			

The city also held investments in the following external pools which are not rated:

Local Government Investment Pool

Watertown Area Community Foundation

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2019, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	1-5
U.S. agencies - implicitly guaranteed	\$ 5,105,046	\$ 3,765,341	\$ 1,339,705
U.S. agencies - explicitly guaranteed	505,654	249,708	255,946
Certificates of deposits (negotiable)	7,050,364	4,198,672	2,851,692
State & local bonds	<u>25,107</u>	<u>-</u>	<u>25,107</u>
Totals	<u>\$ 12,686,171</u>	<u>\$ 8,213,721</u>	<u>\$ 4,472,450</u>

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

B. RECEIVABLES

Library pledge receivables as of December 31 are comprised of and are to be used for the following:

	2019
Library expansion	\$ 544,746
Less: Discount	<u>(13,557)</u>
Net Contributions Receivable	<u>\$ 531,189</u>
Less than one year	\$ 315,589
One to five years	<u>229,157</u>
	<u>\$ 544,746</u>

All other receivables, except \$32,352 in general fund and \$862,721 in nonmajor funds, are expected to be collected within one year.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

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

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 15,381,182	\$ -
Special assessments receivable	-	60,012
Library pledges	-	531,189
EMS accounts receivable not available	-	197,000
Transit accounts receivable	-	61,787
Accrued interest	-	26,360
	<u> </u>	<u> </u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 15,381,182</u>	<u>\$ 876,348</u>

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

At December 31, 2019, the city has not exceeded the maximum amount of program income that it may retain or the amount of time for which funds may be held without use. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption	-	Used to segregate resources accumulated for debt service payments over the next twelve months.
Reserve	-	Used to report resources set aside to make up potential future deficiencies in the redemption account.
Depreciation	-	Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Equipment Replacement Account

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

Escrow Payable

The city received money from Wisconsin Department of Transportation for an airport settlement payable. The general fund is holding this money in an escrow account until certain requirements have been met.

Following is a list of restricted assets at December 31, 2019:

Restricted Assets	
Redemption account	\$ 1,969,585
Reserve account	453,078
Depreciation account	129,731
Replacement account	2,858,293
Escrow payable	<u>80,076</u>
Total Restricted Assets	<u><u>\$ 5,490,763</u></u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,773,957	\$ 73,073	\$ 4,255	\$ 7,842,775
Construction in progress	300,314	602,023	-	902,337
Total Capital Assets Not Being Depreciated	<u>8,074,271</u>	<u>675,096</u>	<u>4,255</u>	<u>8,745,112</u>
Capital assets being depreciated				
Land improvements	3,759,948	89,530	-	3,849,478
Buildings	19,461,915	219,307	-	19,681,222
Machinery and equipment	12,963,867	951,429	478,519	13,436,777
Roads	76,082,827	515,368	499,494	76,098,701
Bridges	8,446,786	-	-	8,446,786
Sidewalks	2,982,403	125,896	5,126	3,103,173
Dams	2,057,689	-	-	2,057,689
Airport	3,904,963	-	-	3,904,963
Rail spur	895,335	-	-	895,335
Total Capital Assets Being Depreciated	<u>130,555,733</u>	<u>1,901,530</u>	<u>983,139</u>	<u>131,474,124</u>
Total Capital Assets	<u>138,630,004</u>	<u>2,576,626</u>	<u>987,394</u>	<u>140,219,236</u>
Less: Accumulated depreciation for				
Land improvements	(1,575,021)	(107,481)	-	(1,682,502)
Buildings	(10,678,929)	(467,523)	-	(11,146,452)
Machinery and equipment	(5,975,411)	(790,717)	230,322	(6,535,806)
Roads	(38,136,498)	(1,766,066)	425,803	(39,476,761)
Bridges	(1,846,980)	(103,593)	-	(1,950,573)
Sidewalks	(1,092,320)	(44,241)	4,675	(1,131,886)
Dams	(166,518)	(34,196)	-	(200,714)
Airport	(3,829,060)	(6,072)	-	(3,835,132)
Rail spur	(90,696)	(11,191)	-	(101,887)
Total Accumulated Depreciation	<u>(63,391,433)</u>	<u>(3,331,080)</u>	<u>660,800</u>	<u>(66,061,713)</u>
Net Capital Assets Being Depreciated	<u>67,164,300</u>	<u>(1,429,550)</u>	<u>322,339</u>	<u>65,412,411</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 75,238,571</u>	<u>\$ (754,454)</u>	<u>\$ 326,594</u>	<u>\$ 74,157,523</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 214,665
Public safety	346,604
Public works	2,473,581
Culture, recreation, education	275,212
Health and human services	<u>21,018</u>

Total Governmental Activities Depreciation Expense	<u><u>\$ 3,331,080</u></u>
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	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 1,524,214	\$ -	\$ -	\$ 1,524,214
Construction in progress	<u>-</u>	<u>203,470</u>	<u>19,768</u>	<u>183,702</u>
Total Capital Assets Not Being depreciated	<u>1,524,214</u>	<u>203,470</u>	<u>19,768</u>	<u>1,707,916</u>
Capital assets being depreciated				
Water system	53,320,720	686,281	193,003	53,813,998
Wastewater system	58,698,862	1,366,780	184,171	59,881,471
Stormwater system	<u>20,518,376</u>	<u>373,559</u>	<u>129,046</u>	<u>20,762,889</u>
Total Capital Assets Being Depreciated	<u>132,537,958</u>	<u>2,426,620</u>	<u>506,220</u>	<u>134,458,358</u>
Total Capital Assets	<u>134,062,172</u>	<u>2,630,090</u>	<u>525,988</u>	<u>136,166,274</u>
Less: Accumulated depreciation for				
Water system	(15,267,857)	(1,333,589)	193,003	(16,408,443)
Wastewater system	(20,973,864)	(1,636,106)	184,171	(22,425,799)
Stormwater system	<u>(7,060,436)</u>	<u>(539,257)</u>	<u>129,046</u>	<u>(7,470,647)</u>
Total Accumulated Depreciation	<u>(43,302,157)</u>	<u>(3,508,952)</u>	<u>506,220</u>	<u>(46,304,889)</u>
Net Capital Assets Being Depreciated	<u>89,235,801</u>	<u>(1,082,332)</u>	<u>-</u>	<u>88,153,469</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 90,760,015</u></u>	<u><u>\$ (878,862)</u></u>	<u><u>\$ 19,768</u></u>	<u><u>\$ 89,861,385</u></u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 1,269,813
Wastewater	1,636,105
Storm	<u>539,257</u>

Total Business-type Activities Depreciation Expense	<u><u>\$ 3,445,175</u></u>
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Depreciation expense is different from business-type activity accumulated depreciation additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General fund	Water utility	\$ 960,576
General fund	TID No. 6	13,335
Water utility	General fund	181,697
Wastewater utility	General fund	195,392
Stormwater utility	General fund	43,936
Wastewater utility	Water Utility	<u>311</u>
Total - Fund Financial Statements		1,395,247
Less: Fund eliminations		<u>(855,696)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 539,551</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 960,576
Business-type Activities	Governmental Activities	<u>(421,025)</u>
Total Government-Wide Financial Statements		<u><u>\$ 539,551</u></u>

All amounts are due within one year.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Interfund Receivables/Payables (cont.)

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

Advances

The general fund is advancing funds to TID No. 7 capital project fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 7	\$ 61,716	\$ 61,716
Total - Fund Financial Statements		61,716	
Less: Fund eliminations		<u>(61,716)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u><u>\$ -</u></u>	

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Water utility	\$ 960,526	Tax equivalent
Transit system	General fund	21,000	Fund operations
Library trust	Debt service	15,500	Library costs
Capital projects	Library trust	<u>180,000</u>	Library extension
Sub-Total		1,177,026	
Less: Fund eliminations		<u>(216,500)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 960,526</u></u>	

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers (cont.)

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 34,075,000	\$ 3,115,000	\$ 5,495,000	\$ 31,695,000	\$ 4,770,000
General obligation debt from direct borrowings and direct placements	3,217,440	-	227,170	2,990,270	238,263
Premiums	1,092,160	282,348	155,087	1,219,421	-
Sub-totals	<u>38,384,600</u>	<u>3,397,348</u>	<u>5,877,257</u>	<u>35,904,691</u>	<u>5,008,263</u>
Other Liabilities					
Accumulated vacation	729,840	743,368	729,840	743,368	743,368
Vested sick leave	379,123	-	4,145	374,978	-
Capital leases	196,011	-	62,367	133,644	65,292
Total Other Liabilities	<u>1,304,974</u>	<u>743,368</u>	<u>796,352</u>	<u>1,251,990</u>	<u>808,660</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 39,689,574</u>	<u>\$ 4,140,716</u>	<u>\$ 6,673,609</u>	<u>\$ 37,156,681</u>	<u>\$ 5,816,923</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,190,000	\$ -	\$ 240,000	\$ 950,000	\$ 255,000
Revenue debt	3,220,000	-	485,000	2,735,000	505,000
Revenue debt from direct borrowings and direct placements	18,209,064	-	2,279,875	15,929,189	2,336,163
Premiums	255,136	-	28,698	226,438	-
Sub-totals	<u>22,874,200</u>	<u>-</u>	<u>3,033,573</u>	<u>19,840,627</u>	<u>3,096,163</u>
Other Liabilities					
Vested compensated absences	100,546	93,974	99,729	94,791	41,606
Total Other Liabilities	<u>100,546</u>	<u>93,974</u>	<u>99,729</u>	<u>94,791</u>	<u>41,606</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 22,974,746</u>	<u>\$ 93,974</u>	<u>\$ 3,133,302</u>	<u>\$ 19,935,418</u>	<u>\$ 3,137,769</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2019, was \$78,676,420. Total general obligation debt outstanding at year end was \$35,635,270.

General Obligation Debt

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

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note IV.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Promissory notes	6/23/09	2019	2.50 - 4.00%	\$ 7,165,000	\$ 1,030,000
Bonds	8/3/10	2030	2.95 - 4.00%	1,305,000	1,130,000
Promissory notes	8/3/10	2020	1.50 - 2.90%	1,125,000	130,000
State trust fund loan - direct	3/16/10	2030	5.50%	2,500,000	1,692,830
State trust fund loan - direct	3/16/10	2030	5.50%	1,000,000	677,132
State trust fund loan - direct	9/21/10	2030	5.25%	825,000	584,837
Promissory notes	3/10/11	2020	2.00 - 3.40%	1,420,000	275,000
Refunding bonds	3/16/11	2026	2.00 - 4.25%	1,100,000	265,000
Bonds	3/23/12	2021	2.00 - 3.00%	1,805,000	385,000
Refunding bonds	2/26/13	2025	2.00 - 2.50%	7,625,000	3,565,000
Promissory notes	2/26/13	2022	2.00%	1,560,000	555,000
Promissory notes	3/19/14	2023	2.00 - 3.00%	3,300,000	1,540,000
Promissory notes	3/10/15	2024	2.00 - 3.00%	4,080,000	3,105,000
Refunding bonds	3/10/15	2027	2.00 - 4.00%	710,000	520,000
State trust fund loan - direct	5/5/15	2020	3%	168,000	35,471
Bonds	2/23/16	2025	3%	2,600,000	2,600,000
Refunding bonds	2/23/16	2028	2.00 - 3.00%	7,410,000	6,600,000
Promissory notes	3/1/17	2026	2.00-4.00%	3,000,000	2,350,000
Refunding bonds	3/1/17	2023	1.50-2.70%	710,000	510,000
Promissory notes	2/27/18	2027	3.00 - 4.00%	4,100,000	4,020,000
Promissory notes	3/6/19	2028	3.00-5.00%	3,115,000	3,115,000

Total Governmental Activities - General Obligation Debt

\$ 34,685,270

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Refunding Bonds	2/23/16	2028	3%	\$ 1,240,000	\$ 875,000
Refunding bonds	3/1/17	2023	1.50-2.70%	95,000	<u>75,000</u>
Total Business-type Activities - General Obligation Debt					<u><u>\$ 950,000</u></u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2020	\$ 4,770,000	\$ 925,266	\$ 255,000	\$ 24,450
2021	4,750,000	793,483	270,000	16,720
2022	4,740,000	647,353	280,000	8,515
2023	4,565,000	494,296	145,000	2,145
2024	3,890,000	355,864	-	-
2025-2029	8,845,000	494,349	-	-
2030	<u>135,000</u>	<u>2,700</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 31,695,000</u>	<u>\$ 3,713,311</u>	<u>\$ 950,000</u>	<u>\$ 51,830</u>

Years	Governmental Activities General Obligation Debt from Direct Borrowings and Direct Placements	
	Principal	Interest
2020	\$ 238,263	\$ 162,560
2021	214,285	149,999
2022	225,964	138,320
2023	238,280	126,006
2024	250,957	113,328
2025-2029	1,477,067	344,359
2030	<u>345,454</u>	<u>18,831</u>
Totals	<u>\$ 2,990,270</u>	<u>\$ 1,053,403</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

The city's general obligation debt outstanding as of December 31, 2019, totaling \$2,990,270 for governmental activities contain clauses that any delinquent payments are subject to a penalty of one percent per month and that any delinquent amounts shall be deducted from any state payments that are due to the municipality.

Revenue Debt

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

The water utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2012-2017. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from water revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require 22% of net revenues. The total principal and interest remaining to be paid on the bonds is \$15,356,925. Principal and interest paid for the current year and total customer net revenues were \$1,335,301 and \$3,917,580, respectively.

The wastewater utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2003. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from wastewater revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 51% of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,752,222. Principal and interest paid for the current year and total customer net revenues were \$1,918,749 and \$3,772,353, respectively.

Revenue debt payable at December 31, 2019, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Water Utility					
Revenue bonds	4/23/12	2032	2.00 - 3.50%	\$ 5,880,000	\$ 2,735,000
Revenue bonds - direct	3/1/17	2027	2.00 - 3.00%	945,000	770,000
Revenue bonds - direct	3/1/17	2037	1.87%	10,502,499	9,637,484
				Total Water Utility	<u>13,142,484</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
<u>Wastewater Utility</u>					
Revenue bonds - direct	1/8/03	2022	2.750%	\$ 24,875,636	<u>\$ 5,521,705</u>
				Total Wastewater Utility	<u>5,521,705</u>
Total Business-type Activities - Revenue Debt					<u><u>\$ 18,664,189</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 505,000	\$ 90,287
2021	525,000	69,688
2022	550,000	48,187
2023	100,000	35,688
2024	105,000	32,612
2025-2029	560,000	113,656
2030-2032	<u>390,000</u>	<u>20,826</u>
Totals	<u><u>\$ 2,735,000</u></u>	<u><u>\$ 410,944</u></u>

<u>Years</u>	Business-type Activities Revenue Debt from Direct Borrowings and Direct Placements	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,336,163	\$ 322,686
2021	2,393,926	262,366
2022	2,453,203	200,515
2023	571,318	163,348
2024	585,319	151,488
2025-2029	2,907,605	574,910
2030-2034	2,844,250	306,736
2035-2037	<u>1,837,405</u>	<u>51,965</u>
Totals	<u><u>\$ 15,929,189</u></u>	<u><u>\$ 2,034,014</u></u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Capital Leases

Refer to Note IV. G.

Other Debt Information

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

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

The city acquired a fire truck through a capital lease.

The future minimum lease obligations as of December 31, 2019, are as follows:

<u>Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 65,292	\$ 6,268	\$ 71,560
2021	<u>68,352</u>	<u>3,206</u>	<u>71,558</u>
Totals	<u>\$ 133,644</u>	<u>\$ 9,474</u>	<u>\$ 143,118</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 7,842,775
Construction in progress	902,337
Other capital assets, net of accumulated depreciation	65,412,411
Less: Long-term debt outstanding	(34,818,915)
Plus: Unspent capital related debt proceeds	520,401
Plus: Noncapital debt proceeds	5,423,346
Plus: Unamortized debt premiums	<u>(1,219,421)</u>
Total Net Investment in Capital Assets	<u><u>\$ 44,062,934</u></u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

	General	Debt Service	General Capital Projects	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Delinquent personal property taxes	\$ 3,586	\$ -	\$ -	\$ -	\$ 3,586
Prepaid items	221,365	-	-	16,258	237,623
Advanced to other funds	61,716	-	-	-	61,716
Permanent trust	-	-	-	18,200	18,200
Sub-total	<u>286,667</u>	<u>-</u>	<u>-</u>	<u>34,458</u>	<u>321,125</u>
Restricted for:					
Capital projects	-	-	520,401	-	520,401
Debt service	-	83,804	-	-	83,804
TID activities	-	-	-	3,774,715	3,774,715
Library	-	-	-	3,385,350	3,385,350
Grant/loan programs	-	-	-	1,032,418	1,032,418
Emergency management training	6,026	-	-	-	6,026
Developer parks	-	-	-	115,679	115,679
Tourism	-	-	-	31,009	31,009
Health program activities	-	-	-	28,820	28,820
Sub-total	<u>6,026</u>	<u>83,804</u>	<u>520,401</u>	<u>8,367,991</u>	<u>8,978,222</u>
Committed to:					
General capital projects	-	-	1,242,770	-	1,242,770
Riverfest operations	-	-	-	80,463	80,463
Environmental health	-	-	-	232,361	232,361
Refuse collection and recycling	-	-	-	438,614	438,614
Sub-total	<u>-</u>	<u>-</u>	<u>1,242,770</u>	<u>751,438</u>	<u>1,994,208</u>
Assigned to:					
Water utility tax equivalent	960,576	-	-	-	960,576
Carryovers	98,554	-	-	-	98,554
Subsequent year's budget	185,217	-	-	-	185,217
General reserve projects	187,025	-	-	-	187,025
Sub-total	<u>1,431,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,431,372</u>
Unassigned (deficit):	<u>5,073,123</u>	<u>-</u>	<u>-</u>	<u>(74,160)</u>	<u>4,998,963</u>
Total Fund Balances	<u>\$ 6,797,188</u>	<u>\$ 83,804</u>	<u>\$ 1,763,171</u>	<u>\$ 9,079,727</u>	<u>\$ 17,723,890</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 1,524,214
Construction in progress	183,702
Other capital assets, net of accumulated depreciation	88,153,469
Less: Long-term debt outstanding	(19,539,189)
Plus: Unspent capital related debt proceeds	453,078
Less: Unamortized debt premium	(226,438)
Plus: Unamortized loss on advance refunding	<u>72,909</u>
Total Net Investment in Capital Assets	<u>\$ 70,621,745</u>

I. COMPONENT UNIT

CITY OF WATERTOWN REDEVELOPMENT AUTHORITY

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 543,806	\$ 575,956	Custodial credit risk
Certificates of deposit (non-negotiable)	<u>233,001</u>	<u>234,286</u>	Custodial credit risk
Total Deposits and Investments	<u>\$ 776,807</u>	<u>\$ 810,242</u>	

Custodial Credit Risk

Deposits

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNIT (cont.)

CITY OF WATERTOWN REDEVELOPMENT AUTHORITY (cont.)

b. Deposits and Investments (cont.)

Custodial Credit Risk (cont.)

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

c. Long-Term Obligations

The Authority has revolving lines of credit with three local banks. The banks have partnered with the Authority on the loan program. Repayments are made on the lines of credit from loan repayments. Interest is charged at 1%. Principal amount outstanding as of December 31, 2019 was \$297,231, all of which is due in 2023. Interest amount outstanding as of December 31, 2019 was not significant.

d. Property Held for Resale

Property held for resale consists of land and buildings and is recorded at the lower of historical cost or market value.

e. Capital Assets

Capital assets consisted of construction in progress for the Town Square project which was not completed at year-end in the amount of \$439,689.

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

The WRS also provides death and disability benefits for employees.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42.0)%
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$908,129 in contributions from the city.

Contribution rates for the plan year reported as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Pension Liability (asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the city reported a liability of \$3,098,409 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the city's proportion was 0.08700906%, which was an increase of 0.00169587% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the city recognized pension expense of \$2,097,545.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2019, 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	\$ 2,413,191	\$ 4,265,654
Changes in assumptions	522,278	-
Net differences between projected and actual earnings on pension plan investments	4,525,014	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,214	22,776
Employer contributions subsequent to the measurement date	924,580	-
Totals	<u>\$ 8,392,277</u>	<u>\$ 4,288,430</u>

\$924,580 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ 1,155,326
2021	284,958
2022	501,731
2023	1,237,252

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

** No post-retirement 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 post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

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

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

Single discount rate. A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Sensitivity of the city's proportionate share of the net pension (asset) liability to changes in the discount rate. The following presents the city's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.00 percent, as well as what the city's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
City's proportionate share of the net pension (asset) liability	\$12,313,402	\$3,098,409	\$(3,753,653)

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>.

At December 31, 2019, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

Protective employees of the city hired prior to 1948 are covered under the city's police and fire pension funds established under Chapter 62 of the Wisconsin Statutes. These pension plans were assumed by the Wisconsin Retirement Fund as of April 1, 1978. The city's total contribution to the fund during 2019 was \$18,459. The estimated liability for future payments based on current pension payment amounts and actuarial table mortality rates for covered individuals is insignificant.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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

The city has active construction projects as of December 31, 2019. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. SUBSEQUENT EVENTS

On February 24, 2020 the city issued taxable general obligation promissory notes in the amount of \$2,805,000 with an interest rate of 1.6-2.3%. This amount will be used to refund the 2010 State Trust Fund Loan.

On February 24, 2020 the city issued general obligation promissory notes in the amount of \$3,285,000 with an interest rate of 2.0-3.0%. This amount will be used for refunding of outstanding general obligation debt.

E. TAX ABATEMENT

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

The city is disclosing all abatement agreements individually.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

E. TAX ABATEMENT (cont.)

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

Agreement Description	Calculation Method	Developer Commitment	2019 Payments
\$3,000,000 incentive payment from the city for which the city took out a 20-year loan. Developer guaranteed tax increments to cover annual city debt payments on the loan. Excess increments over debt payments are paid to the developer.	Excess increment	Developer agreed to construct an approximate 85,000 square foot building for a supermarket and a 10,000 square foot building for a bank with an estimated equalized value of \$13,064,837.	\$ 52,017
The city agreed to provide a \$1,000,000 incentive payment in the form of a Municipal Revenue Obligation from 85% of the available increment generated by the project until paid but no later than December 31, 2038. Outstanding balance at December 31, 2019 was \$913,905.	Tax increment	Developer agreed to a \$4,500,000 renovation and a \$2,400,000 addition/expansion for a minimum equalized value increase of \$2,475,000.	52,838
The city will contribute \$450,000 from tax increment generated by the property to the developer upon substantial completion of the Riverwalk work. Unpaid amount will accrue interest at the rate of 6.25%. Outstanding balance, including interest at December 31, 2019, was \$403,420.	Tax increment	Developer agreed to construct a housing complex.	44,121
The city agreed to provide a \$600,000 incentive payment in the form of a Municipal Revenue Obligation from 85% of the available increment generated by the project until paid, but no later than December 31, 2026	Tax increment	Developer agreed to construct 75,000 square foot building for its gas operations	91,738

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE V - OTHER INFORMATION (cont.)

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- > Statement No. 87, *Leases*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 91, *Conduit Debt Obligations*
- > Statement No. 92, *Omnibus*
- > Statement No. 93, *Replacement of Interbank Offered Rates*
- > Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATERTOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
TAXES				
General property taxes for city purposes	\$ 8,625,000	\$ 8,619,000	\$ 8,619,848	\$ 848
Payments in lieu of taxes	241,500	241,500	254,026	12,526
Interest on taxes	20,000	20,000	23,359	3,359
Totals	8,886,500	8,880,500	8,897,233	16,733
INTERGOVERNMENTAL				
Shared taxes from state	3,118,238	3,118,238	3,116,721	(1,517)
Computer exemption aid	45,975	45,975	55,124	9,149
Fire insurance from state	63,000	63,000	71,744	8,744
State aid - service to state facilities	2,642	2,642	2,394	(248)
State aid - police training	-	-	5,600	5,600
State aid - road allotment	979,351	979,351	978,902	(449)
State aid - connecting streets	49,869	49,869	49,869	-
State aid - health department grant	73,360	73,360	68,677	(4,683)
State aid - gas tax refund	6,800	6,800	7,152	352
Firefighter grants	170,844	170,844	158,197	(12,647)
Urban forestry grant	25,000	25,000	25,000	-
Police grant - Dept. of Justice	-	-	5,557	5,557
Totals	4,535,079	4,535,079	4,544,937	9,858
LICENSES AND PERMITS				
Class A - malt - retail and grocery	2,000	2,000	1,892	(108)
Class A - liquor - liquor store	7,200	7,200	6,713	(487)
Class B - malt and liquor	24,200	24,200	23,552	(648)
Class B - malt only	1,250	1,250	1,500	250
Class B - malt - special events	400	400	460	60
Special events licenses - police officers	550	550	950	400
Beverage operator licenses	26,500	26,500	27,095	595
Cigarette licenses	725	725	700	(25)
Dog licenses	11,300	11,300	10,424	(876)
Cat licenses	1,800	1,800	1,655	(145)
Dog penalties	1,400	1,400	1,100	(300)
Miscellaneous licenses	700	700	740	40
Music licenses	700	700	525	(175)

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERTOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
LICENSES AND PERMITS (cont.)				
Bicycle license fees	\$ 200	\$ 200	\$ 120	\$ (80)
Building permits, plan approval and state stickers	139,900	139,900	79,565	(60,335)
Demolition permits	750	750	1,874	1,124
Registration of vacant buildings/derelict structures	950	950	1,600	650
Derelict structures	3,000	-	-	-
Chicken permits	300	300	50	(250)
Occupy street/sidewalk	800	800	2,715	1,915
Heating permits	22,000	22,000	26,297	4,297
Electric permits	35,000	35,000	28,501	(6,499)
Plumbing permits	15,000	15,000	11,169	(3,831)
Swimming pool permits	200	200	150	(50)
Sign permits	700	700	875	175
Fire protection permits	1,500	1,500	2,400	900
Miscellaneous permits	200	200	260	60
Court penalties and costs	230,000	230,000	184,745	(45,255)
Totals	529,225	526,225	417,627	(108,598)
PUBLIC CHARGES FOR SERVICES				
Clerk and treasurer fees	12,000	12,000	13,377	1,377
Publication fees	3,000	3,000	3,500	500
Sale of materials and supplies	500	500	60	(440)
Cable TV fees	255,000	255,000	261,755	6,755
Appeal fees	400	-	-	-
Site plan review fees	5,000	5,000	4,410	(590)
Public hearing fees	8,000	8,000	9,450	1,450
Cable TV revenue	500	500	402	(98)
Reimbursement from prior year	1,000	1,000	49,531	48,531
Sales tax discount	150	150	143	(7)
Miscellaneous	10,000	10,000	1,033	(8,967)
Charges for city services - tax exempt property	23,200	23,200	20,800	(2,400)
Police department revenue	12,500	12,500	15,546	3,046
Alarm permits/response fees	5,500	5,500	7,755	2,255
Ambulance - EMS charges	550,000	550,000	801,247	251,247
Fire cost recovery	400	400	12,096	11,696
Health department revenue	10,000	10,000	11,084	1,084
County aid - health check	14,000	14,000	8,060	(5,940)
Parking violations	32,000	32,000	35,916	3,916
Yard waste exemption	150	150	100	(50)
Fees for plans and specs	100	100	40	(60)

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERTOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
PUBLIC CHARGES FOR SERVICES (cont.)				
Public works charges for services	\$ 7,000	\$ 7,000	\$ 12,887	\$ 5,887
Recreation department revenues	125,000	125,000	127,757	2,757
Recreation department concessions	1,700	1,700	1,325	(375)
Ticket sales revenue	600	600	443	(157)
Aquatic center revenue	150,000	150,000	141,799	(8,201)
Indoor swimming pool	50,000	50,000	49,364	(636)
Senior center revenue	3,000	3,000	295	(2,705)
Senior center memberships	6,500	6,500	6,628	128
Senior center rental fees	13,000	13,000	16,540	3,540
Park rentals	34,000	34,000	39,351	5,351
Miscellaneous park revenues	25,000	25,000	22,254	(2,746)
Totals	1,359,200	1,358,800	1,674,948	316,148
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Fire/EMS protection services - townships	281,255	281,255	289,072	7,817
INVESTMENT INCOME				
Investment income	100,000	100,000	280,969	180,969
MISCELLANEOUS REVENUES				
Insurance dividends	50,000	50,000	55,890	5,890
Airport crop land rental	7,500	7,500	7,500	-
Airport hangar rental	12,000	12,000	15,536	3,536
Airport fuel tax	3,000	3,000	2,223	(777)
Credit Card Rebate	31,000	31,000	29,181	(1,819)
Fire prevention programs	-	-	32,331	32,331
Police K-9	-	-	848	848
Police donations	-	-	39,960	39,960
Senior center fundraising	-	-	12,777	12,777
EMS/EMT Training	-	-	7,002	7,002
4th of July parade	-	-	16,030	16,030
Christmas Parade	-	-	8,755	8,755
Totals	103,500	103,500	228,033	124,533
OTHER FINANCING SOURCES				
Sale of assets	20,000	20,000	27,082	7,082
Transfer in - tax equivalent	975,000	975,000	960,526	(14,474)
Totals	995,000	995,000	987,608	(7,392)
TOTAL REVENUES AND OTHER FINANCING SOURCES	16,789,759	16,780,359	17,320,427	540,068

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERTOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Common council	\$ 89,230	\$ 89,230	\$ 83,642	\$ 5,588
Commissions and committees	300	300	242	58
Municipal court	119,944	119,894	116,860	3,034
Mayor	163,918	189,743	186,644	3,099
Clerk/treasurer	418,343	418,343	417,541	802
Elections	35,068	35,068	33,062	2,006
Human resources	56,257	56,257	47,138	9,119
Assessment of property	75,225	75,225	74,824	401
Accounting and auditing	55,000	55,000	52,868	2,132
City attorney	197,688	197,688	183,807	13,881
Special legal fees	15,000	22,500	22,382	118
Municipal building	259,722	259,722	271,257	(11,535)
Other buildings	4,500	5,500	4,898	602
Information Technology	134,216	134,216	102,542	31,674
Property and liability insurance	489,635	466,635	464,562	2,073
Retiree health insurance	15,000	19,000	18,459	541
Employee assistance program	2,000	2,000	332	1,668
Employee Best Flex 125 Plan	5,200	5,200	5,392	(192)
Employee pay plan study/training	2,000	2,000	1,000	1,000
Unemployment compensation	500	-	-	-
Cable TV	118,070	118,070	119,462	(1,392)
Other general government	-	-	983	(983)
Contingency	15,000	-	-	-
Totals	<u>2,271,816</u>	<u>2,271,591</u>	<u>2,207,897</u>	<u>63,694</u>
PUBLIC SAFETY				
Police	4,326,778	4,223,130	4,101,896	121,234
Crossing guards	38,946	38,946	36,711	2,235
Dispatch center	678,019	707,919	713,078	(5,159)
Fire department	2,796,863	2,796,663	2,784,447	12,216
Building inspection	262,040	249,540	237,762	11,778
Emergency government	4,500	4,500	4,578	(78)
Totals	<u>8,107,146</u>	<u>8,020,698</u>	<u>7,878,472</u>	<u>142,226</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERTOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
PUBLIC WORKS				
Engineering	\$ 388,524	\$ 385,997	\$ 327,640	\$ 58,357
Planning	50,500	50,000	45,191	4,809
Machinery and equipment	418,214	457,214	453,389	3,825
Garages and sheds	116,924	116,924	98,692	18,232
Street administration	263,795	263,795	255,111	8,684
Service to other departments	92,398	52,398	46,001	6,397
Traffic control	27,000	27,000	22,475	4,525
Street maintenance	720,350	740,350	778,946	(38,596)
Snow and ice control	425,112	486,112	476,949	9,163
Signs and markings	96,793	96,793	83,080	13,713
Street lighting	419,000	473,000	468,864	4,136
Airport	213,410	188,410	190,364	(1,954)
Totals	<u>3,232,020</u>	<u>3,337,993</u>	<u>3,246,702</u>	<u>91,291</u>
HEALTH AND HUMAN SERVICES				
Health care	<u>419,518</u>	<u>426,518</u>	<u>405,463</u>	<u>21,055</u>
CULTURE, EDUCATION, AND RECREATION				
Library	738,288	733,877	733,878	(1)
Recreation administration	202,348	202,348	201,740	608
Recreation	122,624	122,124	120,137	1,987
Aquatic center	236,807	235,907	235,432	475
Indoor pool	174,867	174,867	147,612	27,255
Senior & community center	242,682	233,432	226,505	6,927
Parks	840,943	832,943	801,510	31,433
Park garage	20,000	20,000	19,395	605
Totals	<u>2,578,559</u>	<u>2,555,498</u>	<u>2,486,209</u>	<u>69,289</u>
CONSERVATION AND DEVELOPMENT				
Economic development	<u>201,393</u>	<u>188,893</u>	<u>173,554</u>	<u>15,339</u>
Totals	<u>201,393</u>	<u>188,893</u>	<u>173,554</u>	<u>15,339</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERTOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC SERVICE ENTERPRISES				
Cemetery	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Chamber Main Street	30,000	30,000	30,000	-
Humane society	59,000	59,000	59,000	-
Community Laundry Program	3,000	3,000	3,000	-
Watertown Family Center	5,000	5,000	5,000	-
Watertown Area Cares Clinic	5,000	5,000	5,000	-
Historical Society	12,000	12,000	12,000	-
Totals	164,000	164,000	164,000	-
CAPITAL OUTLAY				
Fire prevention programs	-	-	20,766	(20,766)
Police department donations	-	-	28,916	(28,916)
Police canine unit	-	-	17,683	(17,683)
Police accreditation	-	-	1,630	(1,630)
Senior center fundraising	-	-	15,662	(15,662)
EMT training/Act 102	-	-	4,075	(4,075)
Interurban trail	-	-	2,145	(2,145)
4th of July Parade	-	-	15,172	(15,172)
Christmas Parade	-	-	7,918	(7,918)
Totals	-	-	113,967	(113,967)
OTHER FINANCING USES				
Transfer out - transit	44,599	44,599	21,000	23,599
Totals	44,599	44,599	21,000	23,599
TOTAL EXPENDITURES AND OTHER FINANCING USES	17,019,051	17,009,790	16,697,264	312,526
Net change in fund balance	(229,292)	(229,431)	623,163	852,594
FUND BALANCE - Beginning of Year	6,174,025	6,174,025	6,174,025	-
FUND BALANCE - END OF YEAR	\$ 5,944,733	\$ 5,944,594	\$ 6,797,188	\$ 852,594

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERTOWN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/19	0.08700906%	\$ 3,098,409	\$ 10,068,591	30.77%	96.45%
12/31/18	0.08531319%	(2,533,049)	9,898,702	25.59%	102.93%
12/31/17	0.08339948%	687,411	9,764,018	7.04%	99.12%
12/31/16	0.08260644%	1,342,339	9,542,681	14.07%	98.20%
12/31/15	0.08300487%	(2,038,827)	9,184,102	22.20%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/19	\$ 924,580	\$ 924,580	- \$	10,276,267	9.00%
12/31/18	917,273	917,273	-	10,068,591	9.11%
12/31/17	892,699	892,699	-	9,898,702	9.02%
12/31/16	814,342	814,342	-	9,764,018	8.34%
12/31/15	815,395	815,395	-	9,542,681	8.54%

See independent auditors' report and accompanying notes to the required supplementary information.

CITY OF WATERTOWN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

BUDGETARY INFORMATION

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

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

Appropriation lapse at year end unless specifically carried over. Carryovers to the following year were \$98,554 in general fund. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

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

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

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

Changes in Assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

SUPPLEMENTARY INFORMATION

CITY OF WATERTOWN

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2019

	Special Revenue Funds			
	Transit System Fund	CDBG Economic Fund	CDBG Housing Rehab Fund	Library Fund
ASSETS				
Cash and investments	\$ 17,868	\$ 51,614	\$ 68,074	\$ 281,942
Receivables (net)				
Taxes	-	-	-	-
Accrued interest	-	-	-	-
Pledges	-	-	-	-
Accounts	-	-	-	-
Grants	61,787	-	-	-
Loans	-	114,155	748,566	-
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 79,655</u>	<u>\$ 165,769</u>	<u>\$ 816,640</u>	<u>\$ 281,942</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 16,977	\$ -	\$ -	\$ 11,673
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	<u>16,977</u>	<u>-</u>	<u>-</u>	<u>11,673</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	61,787	-	-	-
Total Deferred Inflows of Resources	<u>61,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent trust	-	-	-	-
Restricted	-	165,769	816,640	270,269
Committed	-	-	-	-
Unassigned (deficit)	891	-	-	-
Total Fund Balances	<u>891</u>	<u>165,769</u>	<u>816,640</u>	<u>270,269</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 79,655</u>	<u>\$ 165,769</u>	<u>\$ 816,640</u>	<u>\$ 281,942</u>

Special Revenue Funds

Riverfest Fund	Developer Parks Fund	Environmental Health Fund	Emergency Preparedness Fund	Seal-A-Smile Fund	Library Trust	Tourism Fund	Solid Waste Fund
\$ 81,661	\$ 115,763	\$ 448,391	\$ 51,450	\$ 28,996	\$ 3,115,081	\$ 36,285	\$ 108,915
-	-	-	-	-	-	-	55,197
-	-	-	-	-	-	-	-
-	-	-	-	-	531,189	-	-
-	-	-	-	-	-	-	135,877
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
570	-	6,144	366	-	-	-	9,178
<u>\$ 82,231</u>	<u>\$ 115,763</u>	<u>\$ 454,535</u>	<u>\$ 51,816</u>	<u>\$ 28,996</u>	<u>\$ 3,646,270</u>	<u>\$ 36,285</u>	<u>\$ 309,167</u>
\$ 1,198	\$ 84	\$ 329	\$ -	\$ -	\$ -	\$ 5,276	\$ 52,642
-	-	9,448	1,441	176	-	-	14,986
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,198	84	9,777	1,441	176	-	5,276	67,628
-	-	-	-	-	-	-	-
-	-	-	-	-	531,189	-	-
-	-	-	-	-	531,189	-	-
570	-	6,144	366	-	-	-	9,178
-	-	-	-	-	-	-	-
-	115,679	-	50,009	28,820	3,115,081	31,009	-
80,463	-	438,614	-	-	-	-	232,361
-	-	-	-	-	-	-	-
81,033	115,679	444,758	50,375	28,820	3,115,081	31,009	241,539
<u>\$ 82,231</u>	<u>\$ 115,763</u>	<u>\$ 454,535</u>	<u>\$ 51,816</u>	<u>\$ 28,996</u>	<u>\$ 3,646,270</u>	<u>\$ 36,285</u>	<u>\$ 309,167</u>

CITY OF WATERTOWN

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2019

	TID No. 4	TID No. 5	TID No. 6	TID No. 7	Permanent Fund Library Trust	Total Nonmajor Funds
ASSETS						
Cash and investments	\$ 2,321,364	\$ 1,754,645	\$ -	\$ -	\$ 18,200	\$ 8,500,249
Receivables (net)						
Taxes	817,829	500,027	73,208	54,303	-	1,500,564
Accrued interest	4,992	6,750	-	-	-	11,742
Pledges	-	-	-	-	-	531,189
Accounts	-	-	-	-	-	135,877
Grants	-	-	-	-	-	61,787
Loans	-	-	-	-	-	862,721
Prepaid items	-	-	-	-	-	16,258
TOTAL ASSETS	\$ 3,144,185	\$ 2,261,422	\$ 73,208	\$ 54,303	\$ 18,200	\$ 11,620,387
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 218	\$ -	\$ -	\$ -	\$ 88,397
Accrued liabilities	-	-	-	-	-	26,051
Due to other funds	-	-	13,335	-	-	13,335
Advances from other funds	-	-	-	61,716	-	61,716
Other liabilities	-	306,761	-	-	-	306,761
Total Liabilities	-	306,979	13,335	61,716	-	496,260
Deferred Inflows of Resources						
Unearned revenues	817,829	500,027	73,208	54,303	-	1,445,367
Unavailable revenues	4,786	1,271	-	-	-	599,033
Total Deferred Inflows of Resources	822,615	501,298	73,208	54,303	-	2,044,400
Fund Balances						
Nonspendable:						
Prepaid items	-	-	-	-	-	16,258
Permanent trust	-	-	-	-	18,200	18,200
Restricted	2,321,570	1,453,145	-	-	-	8,367,991
Committed	-	-	-	-	-	751,438
Unassigned (deficit)	-	-	(13,335)	(61,716)	-	(74,160)
Total Fund Balances	2,321,570	1,453,145	(13,335)	(61,716)	18,200	9,079,727
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,144,185	\$ 2,261,422	\$ 73,208	\$ 54,303	\$ 18,200	\$ 11,620,387

CITY OF WATERTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2019

	Special Revenue Funds			
	Transit System Fund	CDBG Economic Fund	CDBG Housing Rehab Fund	Library Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	443,556	-	-	266,620
Licenses and permits	-	-	-	-
Public charges for services	356,817	-	-	25,417
Investment income	-	5,491	557	-
Miscellaneous	-	-	-	19,691
Total Revenues	<u>800,373</u>	<u>5,491</u>	<u>557</u>	<u>311,728</u>
EXPENDITURES				
Current				
Public works	810,889	-	-	-
Health and human services	-	-	-	-
Culture, education, and recreation	-	-	-	239,790
Conservation and development	-	700,000	5,666	-
Capital outlay	-	-	-	4,542
Debt Service				
Principal	-	-	-	-
Interest, issuance costs and fiscal charges	-	-	-	-
Total Expenditures	<u>810,889</u>	<u>700,000</u>	<u>5,666</u>	<u>244,332</u>
Excess (deficiency) of revenues over expenditures	<u>(10,516)</u>	<u>(694,509)</u>	<u>(5,109)</u>	<u>67,396</u>
OTHER FINANCING SOURCES				
Sale of assets	-	-	-	-
Transfers in	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	10,484	(694,509)	(5,109)	67,396
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>(9,593)</u>	<u>860,278</u>	<u>821,749</u>	<u>202,873</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 891</u>	<u>\$ 165,769</u>	<u>\$ 816,640</u>	<u>\$ 270,269</u>

Continued on
Next Page

Special Revenue Funds							
Riverfest Fund	Developer Parks Fund	Environmental Health Fund	Emergency Preparedness Fund	Seal-A-Smile Fund	Library Trust	Tourism Fund	Solid Waste Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,732	\$ -
4,000	-	53,034	34,979	13,274	-	-	106,225
-	-	1,660	-	-	-	-	-
-	-	321,389	-	-	-	-	1,275,976
1,339	3,110	-	-	-	10,001	-	-
459,524	-	12,134	-	-	2,931,440	-	-
<u>464,863</u>	<u>3,110</u>	<u>388,217</u>	<u>34,979</u>	<u>13,274</u>	<u>2,941,441</u>	<u>123,732</u>	<u>1,382,201</u>
-	-	-	-	-	-	-	1,130,538
-	-	388,072	30,813	11,673	-	-	-
452,632	-	-	-	-	47,721	115,340	-
-	-	-	-	-	-	-	-
-	22,651	-	-	-	530,208	-	-
-	-	-	-	-	-	-	175,000
-	-	-	-	-	-	-	19,536
<u>452,632</u>	<u>22,651</u>	<u>388,072</u>	<u>30,813</u>	<u>11,673</u>	<u>577,929</u>	<u>115,340</u>	<u>1,325,074</u>
<u>12,231</u>	<u>(19,541)</u>	<u>145</u>	<u>4,166</u>	<u>1,601</u>	<u>2,363,512</u>	<u>8,392</u>	<u>57,127</u>
-	-	-	-	-	-	-	8,596
-	-	-	-	-	195,500	-	-
-	-	-	-	-	195,500	-	8,596
12,231	(19,541)	145	4,166	1,601	2,559,012	8,392	65,723
<u>68,802</u>	<u>135,220</u>	<u>444,613</u>	<u>46,209</u>	<u>27,219</u>	<u>556,069</u>	<u>22,617</u>	<u>175,816</u>
<u>\$ 81,033</u>	<u>\$ 115,679</u>	<u>\$ 444,758</u>	<u>\$ 50,375</u>	<u>\$ 28,820</u>	<u>\$ 3,115,081</u>	<u>\$ 31,009</u>	<u>\$ 241,539</u>

CITY OF WATERTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2019

	Capital Projects Funds				Permanent Fund	Total
	TID No.4	TID No. 5	TID No. 6	TID No. 7	Library Trust	Nonmajor Funds
REVENUES						
Taxes	\$ 761,996	\$ 460,534	\$ 71,001	\$ 40,428	\$ -	\$ 1,457,691
Intergovernmental	3,465	14,140	426	11,365	-	951,084
Licenses and permits	-	-	-	-	-	1,660
Public charges for services	-	-	-	-	-	1,979,599
Investment income	64,361	48,920	-	-	-	133,779
Miscellaneous	-	17,008	-	-	-	3,439,797
Total Revenues	<u>829,822</u>	<u>540,602</u>	<u>71,427</u>	<u>51,793</u>	<u>-</u>	<u>7,963,610</u>
EXPENDITURES						
Current						
Public works	11,743	19,022	-	-	-	1,972,192
Health and human services	-	-	-	-	-	430,558
Culture, education, and recreation	-	-	-	-	-	855,483
Conservation and development	-	96,138	-	53,761	-	855,565
Capital outlay	91,738	789,314	150	-	-	1,438,603
Debt Service						
Principal	480,000	397,480	50,000	-	-	1,102,480
Interest, issuance costs and fiscal charges	<u>78,613</u>	<u>201,694</u>	<u>18,075</u>	<u>-</u>	<u>-</u>	<u>317,918</u>
Total Expenditures	<u>662,094</u>	<u>1,503,648</u>	<u>68,225</u>	<u>53,761</u>	<u>-</u>	<u>6,972,799</u>
Excess (deficiency) of revenues over expenditures	<u>167,728</u>	<u>(963,046)</u>	<u>3,202</u>	<u>(1,968)</u>	<u>-</u>	<u>990,811</u>
OTHER FINANCING SOURCES						
Sale of assets	-	-	-	-	-	8,596
Transfers in	-	-	-	-	-	216,500
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,096</u>
Net change in fund balance	167,728	(963,046)	3,202	(1,968)	-	1,215,907
FUND BALANCES (DEFICIT) -						
Beginning of Year	<u>2,153,842</u>	<u>2,416,191</u>	<u>(16,537)</u>	<u>(59,748)</u>	<u>18,200</u>	<u>7,863,820</u>
END OF YEAR	<u>\$ 2,321,570</u>	<u>\$ 1,453,145</u>	<u>\$ (13,335)</u>	<u>\$ (61,716)</u>	<u>\$ 18,200</u>	<u>\$ 9,079,727</u>