

CITY OF WATERTOWN

Watertown, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

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, 2017, 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.

Opinion

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, 2017 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.

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
May 9, 2018

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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, 2017. 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 2017 totaled \$134 million, which is an increase of \$2.6 million or 2.0% from 2016. Of the \$134 million in total net position, \$54.3 million was related to governmental activities and \$79.7 million was related to business-type activities.
- > During the year, the City's governmental activities expenses were \$1.0 million more than the \$25.6 million generated in taxes and other revenues for the governmental programs. This is compared to 2016 when expenses exceeded revenues by \$0.7 million.
- > In the City's business-type activities, revenues and capital grants contributions increased from \$11.1 million to \$12.2 million and expenses increased by \$0.5 million to \$8.6 million. Capital contributions remained at \$0.1 million in 2017 as in 2016. Charges for services increased by \$1.2 million. Expenses remained steady in the Storm Water and Wastewater Utilities but increased by \$0.5 million in the Water Utility due to non-cash depreciation expense.
- > The total cost of the City's governmental activities programs increased \$1.0 million or 3.9% to \$26.6 million.
- > The combined fund balance of the governmental funds decreased to just under \$16.4 million, a difference of \$237,008 from the prior year.
- > Capital assets for the City increased \$3.6 million from \$164.6 million in 2016. Governmental activities saw a decrease of \$1.0 million and the business-type activities increased \$4.6 million due to construction of a new central plant for the Water Utility.
- > General obligation debt for governmental activities decreased from \$39.9 million to \$38.3 million. The City issued \$3.0 million in new G.O. debt, \$805,000 of taxable refunding bonds, \$945,000 of water revenue refunding bonds and a safe drinking water fund loan of \$9,825,830. Revenue debt of business-type activities increased from \$16.2 million to \$23.4 million due to new debt issued to fund the new central plant for the Water Utility.

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, 2017

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, 2017

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 \$134.0 million. The majority of the net position, \$79.7 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 \$54.3 million.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016-2017</u>
Current and other assets	\$ 32.5	\$ 33.0	\$ 7.8	\$ 13.0	\$ 40.3	\$ 46.0	14.1%
Capital Assets	<u>77.2</u>	<u>76.2</u>	<u>87.3</u>	<u>92.0</u>	<u>164.5</u>	<u>168.2</u>	2.2%
Total assets	109.7	109.2	95.1	105.0	204.8	214.2	4.6%
Pension related amounts	6.6	4.7	0.9	0.6	7.5	5.3	(29.3)%
Unamortized loss on advance refunding	-	-	0.1	0.1	0.1	0.1	0.0%
Total deferred outflows of resources	6.6	4.7	1.0	0.7	7.6	5.4	(28.9)%
Long-term debt outstanding	38.1	35.4	15.8	22.4	53.9	57.8	7.2%
Other liabilities	<u>6.8</u>	<u>7.3</u>	<u>3.0</u>	<u>3.3</u>	<u>9.8</u>	<u>10.6</u>	8.2%
Total liabilities	44.9	42.7	18.8	25.7	63.7	68.4	7.4%
Pension Related amounts	2.5	1.9	0.3	0.3	2.8	2.2	(21.4)%
Unearned revenues	<u>14.5</u>	<u>15.1</u>	-	-	<u>14.5</u>	<u>15.1</u>	4.1%
Total deferred inflows of resources	17.0	17.0	0.3	0.3	17.3	17.3	0.0%
Net Position							
Net investment in capital assets	44.9	43.2	70.2	67.5	113.1	108.9	(3.7)%
Restricted	8.9	8.8	4.3	4.6	13.2	13.4	1.5%
Unrestricted	<u>0.6</u>	<u>2.3</u>	<u>2.5</u>	<u>7.6</u>	<u>5.1</u>	<u>11.7</u>	129.4%
Total net position-end of year	\$ 54.4	\$ 54.3	\$ 77.0	\$ 79.7	\$ 131.4	\$ 134.0	2.0%

*as restated

Net position of the City's governmental activities decreased \$0.1 million during 2017 bringing the total to \$54.3 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 \$2.3 million surplus year-end, an increase of \$1.7 million from the previous year.

The net position of the City's business-type activities increased \$2.7 million. The unrestricted position increased by \$5.1 million from \$2.5 to \$7.6 million. The Wastewater utility saw the largest net position increase at \$1.4 million with the Water utility increasing \$0.8 million and the storm water utility increasing \$0.5 million.

Changes in net position. The City's 2017 total revenues (excluding capital contributions and transfers) increased by \$1.4 million bringing the total to \$37.0 million. Property taxes increased by \$0.4 million and charges for services increased by \$1.2 million. Capital grants and contributions increased by \$0.4 million. Other revenues remained constant or experienced only slight changes. Total expenses increased by \$1.5 million or 4.5% to \$35.2 million. Governmental activities saw an increase of \$1.0 million in expenses while the business-type activities saw an increase of \$0.5 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, 2017

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>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016-2017</u>
Revenues							
Program revenues							
Charges for Services	\$ 4.1	\$ 4.1	\$10.9	\$12.1	\$ 15.0	\$ 16.2	8.0%
Capital grants and contributions	0.3	0.7	0.1	0.1	0.4	0.8	100.00%
Operating grants and contributions	2.2	2.2	-	-	2.2	2.2	0.0%
General revenues							
Property taxes	14.1	14.5	-	-	14.1	14.5	2.8%
Other taxes	0.5	0.4	-	-	0.5	0.4	(20.0)%
Intergovernmental	3.2	3.2	-	-	3.2	3.2	0.0%
Investment income	0.1	0.2	-	-	0.1	0.2	100.0%
Gain(loss) on sale of assets	-	-	0.1	-	0.1	0.0	(100.00)%
Others	<u>0.4</u>	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>0.4</u>	<u>0.3</u>	(25.0)%
Total revenues	24.9	25.6	11.1	12.2	36.0	37.8	5.0%
Expenses							
General government	2.1	2.3	-	-	2.1	2.3	9.5%
Public safety	7.9	8.3	-	-	7.9	8.3	5.0%
Public works	8.7	9.0	-	-	8.7	9.0	3.4%
Health and human services	0.8	0.7	-	-	0.8	0.7	(12.5)%
Culture, education and recreation	3.4	3.9	-	-	3.4	3.9	14.7%
Conservation and development	0.7	1.2	-	-	0.7	1.2	71.4%
Interest and fiscal charges	2.0	1.2	-	-	2.0	1.2	(40.0)%
Water	-	-	2.8	3.3	2.8	3.3	17.9%
Wastewater	-	-	4.1	4.1	4.1	4.1	0.0%
Storm water	-	-	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	0.0%
Total expenses	25.6	26.6	8.1	8.6	33.7	35.2	4.5%
Excess (Deficiency) before transfers	(0.7)	(1.0)	3.0	3.6	2.3	2.6	13.0%
Transfers	<u>0.8</u>	<u>0.9</u>	<u>(0.8)</u>	<u>(0.9)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	0.1	(0.1)	2.2	2.7	2.3	2.6	
BEGINNING NET POSITION	\$54.3	\$54.4	\$74.8*	\$77.0	\$129.1*	\$131.4	
ENDING NET POSITION	\$54.4	\$54.3	\$77.0	\$79.7	\$131.4	\$134.0	2.0%

* as restated

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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

Governmental Activities. Revenues for the City's governmental activities increased \$0.7 million or 2.8% totaling \$25.6 million. Property taxes account for more than 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. Capital grants and contributions increased \$0.4 million. Property taxes increased by \$0.4 million or 2.8% in 2017.

Governmental activities expenses increased by \$1.0 million or 3.9% to \$26.6 million. Culture, education and recreation and conservation and development saw the largest increases at \$0.5 million each, followed by \$0.4 million increase for public safety and \$0.3 million increase for public works and \$0.2 million increase for general government expenses. Interest and fiscal charges saw the largest decrease at \$0.8 million followed by a \$0.1 million decrease in health and human services expenses. Public safety includes police, fire, and building, safety and zoning. Culture, education and recreation include the library and park and recreation departments and the tourism fund. Expenses exceeded revenues by \$1.0 million prior to transfers of \$0.9 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 2017 was \$26.6million.
- > The net cost for these activities was \$19.6 million with \$14.5 million coming from property taxes, \$3.2 million 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>2016</u>	<u>2017</u>	<u>2016-2017</u>	<u>2016</u>	<u>2017</u>	<u>2016-2017</u>
General government	\$ 2.1	\$ 2.3	9.5%	\$ 1.8	\$ 1.9	5.6%
Public safety	7.9	8.3	5.0%	6.5	7.0	7.7%
Public works	8.7	9.0	3.4%	5.3	5.4	1.9%
Health and human services	0.8	0.7	(12.5)%	0.3	0.2	(33.0)%
Culture, education and recreation	3.4	3.9	14.7%	2.4	2.7	12.5%
Conservation and development	0.7	1.2	71.4%	0.6	1.2	100.0%
Other	<u>2.0</u>	<u>1.2</u>	(40.0)%	<u>2.0</u>	<u>1.2</u>	(40.0)%
Total	\$ 25.6	\$ 26.6	3.9%	\$18.9	\$19.6	3.7%

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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

Business-type Activities. Revenues of the City's business-type activities charges for services increased from \$11.0 million to \$12.1 million. Expenses also increased by \$0.5 million with expenses in the Water Utility accounting for most of the total. Expenses in the Wastewater and Storm Water Utilities remained stable. (Refer to Table A-4). Factors contributing to the results included:

- > Increase in rates for the Water and Wastewater utilities (Water Utility effective April 1.)
- > Increase in non-cash depreciation expense due to new central water plant

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

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

	Water Utility		Wastewater Utility		Storm Water Utility		Total		Total Percentage Change 2016-2017
	2016	2017	2016	2017	2016	2017	2016	2017	
Revenues									
Program revenues									
Capital grants and contributions	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0%
Charges for services	4.1	4.9	5.2	5.5	1.7	1.7	11.0	12.1	10.0%
General revenues									
Investment Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	100.0%
Total Revenue	4.2	5.0	5.2	5.5	1.7	1.7	11.1	12.2	10.8%
Expenses	2.8	3.3	4.1	4.1	1.2	1.2	8.1	8.6	6.2%
Excess (deficiency) before transfers	1.4	1.7	1.1	1.4	0.5	0.5	3.0	3.6	23.3%
Transfers	<u>(0.8)</u>	<u>(0.9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.8)</u>	<u>(0.9)</u>	12.5%
CHANGE IN NET POSITION	0.6	0.8	1.1	1.4	0.5	0.5	2.2	2.7	27.3%
BEGINNING NET POSITION	25.6*	26.2	35.8*	36.9	13.4*	13.9	74.8*	77.0	
ENDING NET POSITION	26.2	27.0	36.9	38.3	13.9	14.4	77.0	79.7	3.8%

* restated due to a change in accounting policy associated with capitalization methods for water well rehabilitation projects in accordance with PSCW guidelines.

Net position of business-type activities increased \$2.7 million from the restated 2016 amount. The Wastewater Utility increased \$1.4 million followed by the Water Utility with \$0.8 million and Storm Water Utility with \$0.5 million. Total revenues increased from \$11.1 million to \$12.2 million or 10.8%. Charges for services increased \$1.1 million or 10.0%. Total revenues in the Water Utility increased by \$0.8 million or 19.0%. The Wastewater Utility saw an increase of \$0.3 million while the Storm Water Utility remained unchanged. Total expenses of the business-type activities increased by \$0.5 million or 6.2%, in large part due to increased non-cash depreciation expense in the Water Utility.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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 \$16.4 million, a decrease of \$237,008 from the previous year. Of the combined governmental fund balance, \$0.3 million is non-spendable and \$11.6 million is restricted, committed or assigned. This leaves \$4.5 million that is unassigned.

Table A-5
City of Watertown Governmental Fund Balance

	2016	2017
Non-spendable:		
General Fund	251,653	267,018
Other Funds	28,150	18,200
Restricted:		
EMT/Act 102	6,931	6,931
Debt Fund	342,406	200,536
Other Funds	8,838,169	8,711,746
Committed:		
Capital project funds	856,481	596,663
Other Funds	594,240	855,719
Assigned:		
General Fund	1,179,722	1,261,509
Unassigned		
General Fund	4,595,705	4,538,158
Other Funds	<u>(101,792)</u>	<u>(101,823)</u>
Total Fund Balance	16,591,665	16,354,657

General Fund

The general fund total fund balance was \$6.1 million, which represents 37.6% of the final budget amount for year-end December 31, 2017. Of that amount, \$1.5 million is non-spendable or assigned. This leaves \$4.5 million or 74.7% unassigned, meaning it is available for appropriation. This amount represents 28.1% of the original general fund adopted budget expenses for the year 2017. 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 \$200,536 is restricted for future debt service.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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, 2017, is \$596,663, 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 \$9,483,842 out of which \$8.7 million is restricted and a small amount is non-spendable. TID #5's fund balance at \$3.7 million is the largest share of the non-major governmental funds, followed by \$1.7 million in TID #4 and \$1.1 million in TID #3.

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 2017 final budget had anticipated using \$199,990 of fund balance to balance the budget plus included \$37,677 of carryovers from the previous year which would have caused a fund balance decrease of \$237,667. Instead, final budget to actual numbers for 2017 show a general fund balance increase of \$39,605.

Total revenues overall were higher than budgeted by \$57,410. State aid for roads, building permits, court fines and ambulance charges were lower than budgeted but miscellaneous items such as grants and donations exceeded projections. Total expenditures were \$219,862 less than the final budget. Decreased expenditures in police salaries due to temporary vacancies, lower snow removal costs than anticipated, and a delay in projects for the branding effort contributed to the lower expenditures.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested \$168.2 million in capital assets as presented in Table A-6. The largest investment was infrastructure, including roads, bridges, airport, and sidewalks, which totaled \$50.0 million net of depreciation. The Central Water Plant was substantially completed by the close of 2017.

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

	Governmental Activities		Business-type Activities		Total		Total Change	
	2016	2017	2016	2017	2016	2017	2016-2017	2016-2017
Buildings & improvements	11.7	11.3	-	-	11.7	11.3	(0.4)	(3.4)%
Equipment	7.1	7.0	-	-	7.1	7.0	(0.1)	(1.4)%
Infrastructure	50.4	50.0	-	-	50.4	50.0	(0.4)	(0.8)%
Land	8.0	7.8	1.5	1.5	9.5	9.3	(0.2)	(2.1)%
Construction in progress	0.0	0.1	3.3	0.0	3.3	0.1	(3.2)	(97.0)%
Water System	-	-	29.1	38.3	29.1	38.3	9.2	31.6%
Wastewater System	-	-	39.7	38.8	39.7	38.8	(0.9)	(2.3)%
Storm Water System	-	-	13.8	13.4	13.8	13.4	(0.4)	(2.9)%
Total	77.2	76.2	87.4	92.0	164.6	168.2	(3.6)	2.2%

The City plans to spend approximately \$4.1 million in fiscal year 2018 in the governmental funds on capital assets. Major projects include a fiber optic installation project funded jointly with the Watertown School District, SCBA equipment for the Fire Department, reconstruction of the Riverside Park tennis courts, reconstruction of the North Second Street Bridge, continued street rehabilitation work and other various equipment purchases. 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, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

Long-Term Debt

At year-end the City had \$39.7 million in general obligation bonds and notes outstanding, a decrease of \$1.9 million or 4.6% from the prior year as shown in Table A-7. \$4.1 million is anticipated to be borrowed in 2018 primarily for street reconstruction, reconstruction of the North Second Street Bridge, a fiber optic installation project funded jointly with the Watertown School District, and other various equipment purchases.

Revenue bonds increased \$7.2 million to \$23.4 million at year end; a 44.4% increase over 2016. The water utility reached substantial completion in the construction of a new Central Water Plant Facility in 2017 funded with a loan from the State of Wisconsin Safe Drinking Water Loan Program. 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	
	2016	2017	2016	2017	2016	2017	2016-2017	2016-2017
General obligation bonds (backed by the City)	39.9	38.3	1.7	1.4	41.6	39.7	(1.9)	(4.6)%
Revenue bonds and notes (backed by specific revenues)	-	-	16.2	23.4	16.2	23.4	7.2	44.4%
Total	39.9	38.3	17.9	24.8	57.8	63.1	5.3	9.2%

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, 2017, the City's total equalized value was \$1.394 billion giving the City a legal debt capacity of \$69.7 million. At December 31, 2017, the City is currently at 57.0% of capacity leaving additional borrowing capacity of \$30.0 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 \$1.394 billion, increased by \$74 million over the prior year. New construction totaled \$36.9 million, an increase over the previous year's total of \$31.6 million. A total of 34 new living units were constructed which included 28 new single family homes and three duplexes. In addition, Clasen Quality Coatings began a major addition to their facility, Kwik-Trip re-constructed one of their three stores in the City, Aldi began a renovation/expansion project and the Watertown Regional Medical Center obtained a permit for renovation of its Geriatric Psychiatric Unit.

CITY OF WATERTOWN

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2017

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

The 2018 general fund operating budget expenditures are at \$16,525,000 an increase of \$400,400 or 2.5% over the 2017 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 1% effective January 1, 2018 and 1% effective December 31, 2018 and anticipates using approximately \$200,000 of fund balance mainly for capital items and one-time expenses in the general fund. The 2018 Debt Fund budgeted expenditures are at \$4.5 million, up from \$4.1 million in 2017.

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. Two properties on the block were acquired in 2017 with negotiations to purchase other properties on the block expected to continue in 2018. The City plans to close TID #3 in 2018.

Sewer and storm water rates are adjusted and approved by the Public Works Commission. Storm water rates have been unchanged since December, 2015 and sewer rates have been unchanged since January, 2017. The Public Service Commission of Wisconsin approved a water rate increase that became effective in April, 2017 to support construction of a Central Water Plant Facility and other infrastructure needs.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 14,910,387	\$ 6,941,629	\$ 21,852,016	\$ 291,826
Taxes receivable	15,603,737	-	15,603,737	-
Other receivables (net)	1,826,211	1,078,286	2,904,497	20,790
Prepaid items and inventories	234,099	175,833	409,932	2,407
Other assets	-	750	750	-
Property held for resale	-	-	-	1,019,000
Internal balances	424,143	(424,143)	-	-
Restricted assets				
Cash and investments	-	5,165,214	5,165,214	-
Capital Assets				
Construction in progress	87,422	-	87,422	-
Land	7,801,749	1,524,214	9,325,963	-
Other capital assets, net of depreciation	68,334,725	90,516,319	158,851,044	-
Total Assets	109,222,473	104,978,102	214,200,575	1,334,023
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	4,710,792	616,316	5,327,108	-
Unamortized loss on advance refunding	-	95,571	95,571	-
Total Deferred Outflows of Resources	4,710,792	711,887	5,422,679	-
LIABILITIES				
Accounts payable and accrued expenses	1,052,934	283,721	1,336,655	11,652
Deposits	311,418	-	311,418	-
Liabilities Payable From Restricted Assets				
Current portion of revenue bonds	-	2,665,949	2,665,949	-
Accrued interest	-	100,208	100,208	-
Noncurrent Liabilities				
Due within one year	5,889,156	278,304	6,167,460	-
Due in more than one year	35,421,380	22,373,822	57,795,202	19,800
Total Liabilities	42,674,888	25,702,004	68,376,892	31,452
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	1,914,590	253,009	2,167,599	
Unearned revenues	15,093,403	-	15,093,403	3,263
Total Deferred Inflows of Resources	17,007,993	253,009	17,261,002	3,263
NET POSITION				
Net investment in capital assets	43,160,520	67,543,586	108,883,774	
Restricted for				
Debt service	-	1,708,961	1,708,961	-
TID activities	6,514,129	-	6,514,129	-
Grant programs	73,456	-	73,456	-
Loan programs	1,674,746	-	1,674,746	-
Developer fees	164,110	-	164,110	-
Trust purposes	18,200	-	18,200	-
Library	296,594	-	296,594	-
Other	17,511	-	17,511	-
Capital asset replacement	-	2,773,236	2,773,236	-
Depreciation	-	129,731	129,731	-
Unrestricted	2,331,118	7,579,462	11,730,912	1,299,308
TOTAL NET POSITION	\$ 54,250,384	\$ 79,734,976	\$ 133,985,360	\$ 1,299,308

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government								
Governmental Activities								
General government	\$ 2,280,626	\$ 356,908	\$ 5,075	\$ -	\$ (1,918,643)	\$ -	\$ (1,918,643)	
Public safety	8,263,807	1,118,755	155,952	10,936	(6,978,164)	-	(6,978,164)	
Public works	8,999,621	1,503,682	1,523,767	547,779	(5,424,393)	-	(5,424,393)	
Health and human services	719,956	300,139	208,814	-	(211,003)	-	(211,003)	
Culture, education, and recreation	3,881,699	784,924	292,841	109,122	(2,694,812)	-	(2,694,812)	
Conservation and development	1,249,996	-	21,496	-	(1,228,500)	-	(1,228,500)	
Interest and fiscal charges	1,186,452	-	-	-	(1,186,452)	-	(1,186,452)	
Total Governmental Activities	<u>26,582,157</u>	<u>4,064,408</u>	<u>2,207,945</u>	<u>667,837</u>	<u>(19,641,967)</u>	<u>-</u>	<u>(19,641,967)</u>	
Business-type Activities								
Water	3,330,362	4,859,734	-	66,000	-	1,595,372	1,595,372	
Wastewater	4,111,403	5,516,141	-	-	-	1,404,738	1,404,738	
Stormwater	1,198,136	1,726,952	-	-	-	528,816	528,816	
Total Business-type Activities	<u>8,639,901</u>	<u>12,102,827</u>	<u>-</u>	<u>66,000</u>	<u>-</u>	<u>3,528,926</u>	<u>3,528,926</u>	
Total Primary Government	<u>\$ 35,222,058</u>	<u>\$ 16,167,235</u>	<u>\$ 2,207,945</u>	<u>\$ 733,837</u>	<u>(19,641,967)</u>	<u>3,528,926</u>	<u>(16,113,041)</u>	
Component Unit								
Redevelopment Authority	\$ 146,286	\$ 23,586	\$ 1,422,008	\$ -	-	-	-	\$ 1,299,308
General Revenues								
Taxes								
Property taxes, levied for general purposes					8,258,009	-	8,258,009	-
Property taxes, levied for debt service					3,868,217	-	3,868,217	-
Property taxes, tax increment					2,408,888	-	2,408,888	-
Other taxes					393,998	-	393,998	-
Intergovernmental revenues not restricted to specific programs					3,176,515	-	3,176,515	-
Investment income					216,311	94,585	310,896	-
Miscellaneous					287,605	-	287,605	-
Transfers					868,064	(868,064)	-	-
Total General Revenues and Transfers					<u>19,477,607</u>	<u>(773,479)</u>	<u>18,704,128</u>	<u>-</u>
Change in Net Position					(164,360)	2,755,447	2,591,087	1,299,308
NET POSITION - Beginning of Year					54,414,744	76,979,529	131,394,273	-
NET POSITION - END OF YEAR					<u>\$ 54,250,384</u>	<u>\$ 79,734,976</u>	<u>\$ 133,985,360</u>	<u>\$ 1,299,308</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 5,308,967	\$ 200,536	\$ 504,174	\$ 8,896,710	\$ 14,910,387
Receivables (net)					
Taxes	8,750,797	4,268,900	4,358	2,574,528	15,598,583
Delinquent personal property taxes	5,154	-	-	-	5,154
Accounts	290,716	-	-	131,902	422,618
Accrued interest	14,320	-	-	-	14,320
Grants	-	-	-	52,726	52,726
Due from other governments	-	-	382,496	-	382,496
Special assessments	28,766	-	54,031	-	82,797
Loans	-	-	-	871,254	871,254
Due from other funds	888,083	-	-	-	888,083
Advances to other funds	40,635	-	-	-	40,635
Prepaid items	221,229	-	-	12,870	234,099
TOTAL ASSETS	\$ 15,548,667	\$ 4,469,436	\$ 945,059	\$ 12,539,990	\$ 33,503,152
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 77,340	\$ -	\$ 99,168	\$ 97,862	\$ 274,370
Accrued liabilities	479,680	-	-	17,989	497,669
Due to other funds	443,921	-	-	20,019	463,940
Advances from other funds	-	-	-	40,635	40,635
Other liabilities	11,400	-	8,343	300,018	319,761
Total Liabilities	<u>1,012,341</u>	<u>-</u>	<u>107,511</u>	<u>476,523</u>	<u>1,596,375</u>
Deferred Inflows of Resources					
Unearned revenues	8,306,876	4,268,900	4,358	2,513,269	15,093,403
Unavailable revenues	155,834	-	236,527	66,356	458,717
Total Deferred Inflows of Resources	<u>8,462,710</u>	<u>4,268,900</u>	<u>240,885</u>	<u>2,579,625</u>	<u>15,552,120</u>
Fund Balances					
Nonspendable	267,018	-	-	18,200	285,218
Restricted	6,931	200,536	-	8,711,746	8,919,213
Committed	-	-	596,663	855,719	1,452,382
Assigned	1,261,509	-	-	-	1,261,509
Unassigned (deficit)	4,538,158	-	-	(101,823)	4,436,335
Total Fund Balances	<u>6,073,616</u>	<u>200,536</u>	<u>596,663</u>	<u>9,483,842</u>	<u>16,354,657</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 15,548,667	\$ 4,469,436	\$ 945,059	\$ 12,539,990	\$ 33,503,152

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, 2017

Total Fund Balances - Governmental Funds	\$ 16,354,657
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.	76,223,896
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.	458,717
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(609,893)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	4,710,792
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(1,914,590)
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>(40,973,195)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 54,250,384</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, 2017

	General	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 8,546,344	\$ 3,868,217	\$ -	\$ 2,538,320	\$ 14,952,881
Special assessments	-	-	21,545	-	21,545
Intergovernmental	4,278,414	-	285,953	912,942	5,477,309
Licenses and permits	494,778	-	-	1,358	496,136
Public charges for services	1,279,083	-	44,820	1,788,448	3,112,351
Intergovernmental charges for service	212,503	-	-	-	212,503
Investment income	83,665	-	21,182	85,080	189,927
Miscellaneous	186,987	15,455	132,407	526,751	861,600
Total Revenues	<u>15,081,774</u>	<u>3,883,672</u>	<u>505,907</u>	<u>5,852,899</u>	<u>25,324,252</u>
EXPENDITURES					
Current					
General government	2,070,167	-	-	-	2,070,167
Public safety	7,347,172	-	-	-	7,347,172
Public works	3,165,691	-	-	1,700,033	4,865,724
Health and human services	389,796	-	-	379,584	769,380
Culture, education, and recreation	2,487,518	-	-	786,360	3,273,878
Conservation and development	159,833	-	-	171,370	331,203
Public service enterprises	164,000	-	-	-	164,000
Capital Outlay	108,238	-	3,729,832	1,213,669	5,051,739
Debt Service					
Principal	-	3,900,380	-	1,409,323	5,309,703
Interest, issuance costs and fiscal charges	-	915,351	-	407,876	1,323,227
Principal on capital leases	-	56,904	-	-	56,904
Interest on capital leases	-	14,656	-	-	14,656
Total Expenditures	<u>15,892,415</u>	<u>4,887,291</u>	<u>3,729,832</u>	<u>6,068,215</u>	<u>30,577,753</u>
Excess (deficiency) of revenues over expenditures	<u>(810,641)</u>	<u>(1,003,619)</u>	<u>(3,223,925)</u>	<u>(215,316)</u>	<u>(5,253,501)</u>
OTHER FINANCING SOURCES (USES)					
Refunding debt issued	-	710,000	-	-	710,000
Debt issued	-	-	2,735,000	265,000	3,000,000
Premium on debt issued	-	167,249	-	16,141	183,390
Sale of assets	25,932	-	229,107	-	255,039
Transfer in - tax equivalent	868,064	-	-	-	868,064
Transfers in	6,250	-	-	598,469	604,719
Transfers out	(50,000)	(15,500)	-	(539,219)	(604,719)
Total Other Financing Sources (Uses)	<u>850,246</u>	<u>861,749</u>	<u>2,964,107</u>	<u>340,391</u>	<u>5,016,493</u>
Net Change in Fund Balances	39,605	(141,870)	(259,818)	125,075	(237,008)
FUND BALANCES - Beginning of Year	<u>6,034,011</u>	<u>342,406</u>	<u>856,481</u>	<u>9,358,767</u>	<u>16,591,665</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,073,616</u>	<u>\$ 200,536</u>	<u>\$ 596,663</u>	<u>\$ 9,483,842</u>	<u>\$ 16,354,657</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, 2017

Net change in fund balances - total governmental funds	\$ (237,008)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	5,051,739
Some items reported as capital outlay are not capitalized	(2,098,043)
Depreciation is reported in the government-wide statements	(3,295,377)
Net book value of assets retired	(634,027)
Contributed capital assets are reported as revenues in the government-wide statements.	24,800
<p>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.</p>	
Special assessments	(11,835)
EMS services	13,243
Accrued Interest	2,615
Land contract and loan receivable	(15,179)
Transit grants receivable	29,341
Wisconsin DNR grant receivable	182,496
<p>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.</p>	
Debt issued	(3,710,000)
Capital leases repaid	56,904
Principal repaid	5,309,702
<p>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.</p>	
Debt premium	(183,390)
Amortization of premium	105,182
<p>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.</p>	
Net pension liability	576,999
Deferred outflows of resources related to pensions	(1,936,227)
Deferred inflows of resources related to pensions	583,204
Compensated absences	(25,750)
Accrued interest on debt	46,251
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (164,360)

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF NET POSITION ENTERPRISE FUNDS As of December 31, 2017

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 2,187,257	\$ 2,627,214	\$ 1,477,157	\$ 6,291,628
Interest receivable	777	6,429	-	7,206
Restricted assets				
Redemption account	641,905	1,167,264	-	1,809,169
Accounts receivable	426,515	481,927	160,665	1,069,107
Due from other funds	177,665	239,982	55,819	473,466
Inventories	117,469	-	-	117,469
Prepaid items	20,628	29,877	7,859	58,364
Total Current Assets	3,572,216	4,552,693	1,701,500	9,826,409
NONCURRENT ASSETS				
Restricted Assets				
Cash and investments	582,809	2,773,236	-	3,356,045
Capital Assets				
Land	210,990	648,923	664,301	1,524,214
Property and equipment	52,329,446	58,238,539	20,123,043	130,691,028
Less: Accumulated depreciation	(14,058,529)	(19,445,184)	(6,670,996)	(40,174,709)
Other Assets				
Cash and investments	-	650,001	-	650,001
Nonutility property	750	-	-	750
Special assessments	-	1,973	-	1,973
Total Noncurrent Assets	39,065,466	42,867,488	14,116,348	96,049,302
Total Assets	42,637,682	47,420,181	15,817,848	105,875,711
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on advance refunding	59,768	-	35,803	95,571
Deferred outflows related to pension	280,814	208,964	126,538	616,316
Total Deferred Outflows of Resources	340,582	208,964	162,341	711,887

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 196,224	\$ 35,099	\$ 4,849	\$ 236,172
Compensated absences	16,837	21,467	-	38,304
Accrued wages	18,260	22,291	3,499	44,050
Accrued interest	230	105	3,164	3,499
Due to other funds	897,609	-	-	897,609
Current portion of general obligation debt	5,000	5,000	230,000	240,000
Liabilities Payable From Restricted Assets				
Current portion of revenue bonds	969,660	1,696,289	-	2,665,949
Accrued interest	59,037	41,171	-	100,208
Total Current Liabilities	<u>2,162,857</u>	<u>1,821,422</u>	<u>241,512</u>	<u>4,225,791</u>
NONCURRENT LIABILITIES				
Long-Term Debt				
Revenue bonds	13,496,170	7,264,643	-	20,760,813
General obligation debt	45,000	40,000	1,105,000	1,190,000
Unamortized debt premium	226,467	-	57,367	283,834
Other Liabilities				
Net pension liability	31,295	30,686	15,537	77,518
Compensated absences	32,958	28,699	-	61,657
Total Noncurrent Liabilities	<u>13,831,890</u>	<u>7,364,028</u>	<u>1,177,904</u>	<u>22,373,822</u>
Total Liabilities	<u>15,994,747</u>	<u>9,185,450</u>	<u>1,419,416</u>	<u>26,599,613</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	<u>118,542</u>	<u>82,691</u>	<u>51,776</u>	<u>253,009</u>
NET POSITION				
Net investment in capital assets	24,302,456	30,481,346	12,759,784	67,543,586
Restricted for debt service	582,868	1,126,093	-	1,708,961
Restricted for capital asset replacement	-	2,773,236	-	2,773,236
Restricted for depreciation	129,731	-	-	129,731
Unrestricted	<u>1,849,920</u>	<u>3,980,329</u>	<u>1,749,213</u>	<u>7,579,462</u>
TOTAL NET POSITION	<u>\$ 26,864,975</u>	<u>\$ 38,361,004</u>	<u>\$ 14,508,997</u>	<u>\$ 79,734,976</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, 2017

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
OPERATING REVENUES				
Charges for services	\$ 4,859,734	\$ 5,516,141	\$ 1,726,952	\$ 12,102,827
Total Operating Revenues	<u>4,859,734</u>	<u>5,516,141</u>	<u>1,726,952</u>	<u>12,102,827</u>
OPERATING EXPENSES				
Operation and maintenance	1,545,553	2,245,261	656,218	4,447,032
Depreciation	<u>1,223,576</u>	<u>1,603,079</u>	<u>504,235</u>	<u>3,330,890</u>
Total Operating Expenses	<u>2,769,129</u>	<u>3,848,340</u>	<u>1,160,453</u>	<u>7,777,922</u>
Operating Income	<u>2,090,605</u>	<u>1,667,801</u>	<u>566,499</u>	<u>4,324,905</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	22,879	62,053	9,653	94,585
Debt issuance costs	(60,742)	-	-	(60,742)
Amortization of premium	9,832	-	-	9,832
Loss on retirement of assets	(334,733)	-	-	(334,733)
Interest expense	<u>(175,590)</u>	<u>(263,063)</u>	<u>(37,683)</u>	<u>(476,336)</u>
Total Nonoperating Revenues (Expenses)	<u>(538,354)</u>	<u>(201,010)</u>	<u>(28,030)</u>	<u>(767,394)</u>
Income Before Contributions and Transfers	1,552,251	1,466,791	538,469	3,557,511
CAPITAL CONTRIBUTIONS	66,000	-	-	66,000
TRANSFERS - TAX EQUIVALENT	<u>(868,064)</u>	<u>-</u>	<u>-</u>	<u>(868,064)</u>
Change in Net Position	750,187	1,466,791	538,469	2,755,447
NET POSITION - Beginning of Year	<u>26,114,788</u>	<u>36,894,213</u>	<u>13,970,528</u>	<u>76,979,529</u>
NET POSITION - END OF YEAR	<u>\$26,864,975</u>	<u>\$38,361,004</u>	<u>\$14,508,997</u>	<u>\$79,734,976</u>

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF CASH FLOWS ENTERPRISE FUNDS

For the Year Ended December 31, 2017

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 4,828,209	\$ 5,453,135	\$ 1,720,521	\$ 12,001,865
Paid to suppliers for goods and services	(1,038,436)	(1,656,843)	(371,546)	(3,066,825)
Paid to employees for services	(496,211)	(540,418)	(259,560)	(1,296,189)
Net Cash Flows From Operating Activities	<u>3,293,562</u>	<u>3,255,874</u>	<u>1,089,415</u>	<u>7,638,851</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to city for tax equivalent	(823,355)	-	-	(823,355)
Debt retired	(51,914)	(51,914)	-	(103,828)
Interest paid	(4,106)	(2,725)	-	(6,831)
Debt issuance costs	(60,742)	(1,238)	-	(61,980)
Debt issued	50,000	45,000	-	95,000
Net Cash Flows From Noncapital Financing Activities	<u>(890,117)</u>	<u>(10,877)</u>	<u>-</u>	<u>(900,994)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(1,810,001)	(1,723,046)	(222,500)	(3,755,547)
Interest paid	(147,284)	(270,217)	(42,722)	(460,223)
Proceeds from debt issue	10,770,830	-	-	10,770,830
Premium on new debt	25,775	-	-	25,775
Acquisition and construction of capital assets	(7,529,537)	(710,697)	(113,829)	(8,354,063)
Repayment of temporary financing for capital	(1,800,000)	-	-	(1,800,000)
Cost of removal of capital assets	-	(31,377)	-	(31,377)
Capital contributions received	66,000	-	-	66,000
Net Cash Flows From Capital and Related Financing Activities	<u>(424,217)</u>	<u>(2,735,337)</u>	<u>(379,051)</u>	<u>(3,538,605)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments purchased	383,896	(250,525)	-	133,371
Investments sold and matured	-	234,078	-	234,078
Investment income	25,234	55,624	9,653	90,511
Net Cash Flows From Investing Activities	<u>409,130</u>	<u>39,177</u>	<u>9,653</u>	<u>457,960</u>
Net Increase in Cash and Cash Equivalents	2,388,358	548,837	720,017	3,657,212
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>636,671</u>	<u>4,654,039</u>	<u>757,140</u>	<u>6,047,850</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,025,029</u>	<u>\$ 5,202,876</u>	<u>\$ 1,477,157</u>	<u>\$ 9,705,062</u>

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 2,090,605	\$ 1,667,801	\$ 566,499	\$ 4,324,905
Nonoperating income	-	1,238	-	1,238
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation expense	1,223,576	1,603,079	504,235	3,330,890
Depreciation charged to other funds	54,305	-	-	54,305
Changes in assets, deferred outflows, liabilities and deferred inflows				
Accounts receivable	(77,131)	(40,618)	(3,546)	(121,295)
Due from other funds	(9,095)	(22,333)	-	(31,428)
Inventories	9,032	-	-	9,032
Prepaid items	(1,448)	2,984	1,185	2,721
Due to other funds	18,464	-	(2,885)	15,579
Accounts payable	(48,972)	(4,695)	-	(53,667)
Compensated absences	16,434	(96)	-	16,338
Other current liabilities	(15,183)	(2,430)	2,531	(15,082)
Pension related deferrals and liabilities	32,975	50,944	21,396	105,315
	<u>\$ 3,293,562</u>	<u>\$ 3,255,874</u>	<u>\$ 1,089,415</u>	<u>\$ 7,638,851</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES				
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Capitalized interest	<u>\$ 101,768</u>	<u>\$ -</u>	<u>\$ -</u>	
Amortization of debt premium	<u>\$ (9,832)</u>	<u>\$ -</u>	<u>\$ -</u>	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION				
Cash and investments	\$ 2,187,257	\$ 2,627,214	\$ 1,477,157	\$ 6,291,628
Restricted cash and investments - current	641,905	1,167,264	-	1,809,169
Restricted cash and investments - noncurrent	582,809	2,773,236	-	3,356,045
Other assets - cash and investments	-	650,001	-	650,001
Total Cash and Investments	3,411,971	7,217,715	1,477,157	12,106,843
Less: Noncash equivalents	(386,942)	(2,014,839)	-	(2,401,781)
	<u>\$ 3,025,029</u>	<u>\$ 5,202,876</u>	<u>\$ 1,477,157</u>	<u>\$ 9,705,062</u>
CASH AND CASH EQUIVALENTS				

See accompanying notes to financial statements.

CITY OF WATERTOWN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2017

	Tax Collection Fund
ASSETS	
Cash and investments	\$ 16,743,360
Taxes receivable	<u>1,922,972</u>
TOTAL ASSETS	<u>\$ 18,666,332</u>
LIABILITIES	
Due to other taxing units	<u>\$ 18,666,332</u>
TOTAL LIABILITIES	<u>\$ 18,666,332</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, 2017

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 two methods, discrete presentation or blending. 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, 2017

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, 2017. 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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

Fund Financial Statements (cont.)

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, 2017

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

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 types:

Agency Fund - used to account for and report assets held by the city in a trustee capacity or as an agent for 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, 2017

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, sewer and stormwater 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, 2017

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

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

Fund Financial Statements (cont.)

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

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 maturing in three years or less.
- 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.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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.)

- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

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

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

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

No policy exists for the following risks:

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 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, 2017, 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, 2017, the fair value of the Foundation's assets was substantially equal to the city's share as reported in Note IV. A.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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.)

See Note IV. A. for further information.

2. Receivables

Property tax calendar - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	April 30, 2017
Third installment due	July 31, 2017
Personal property taxes in full	January 31, 2018
Tax sale - 2017 delinquent real estate taxes	October 2020

Accounts receivable have been shown net of an allowance for uncollectible accounts for EMS service of \$232,251. 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 sewer 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 \$86,289.

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, 2017

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. \$101,768 of net 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, 2017

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, 2017

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 . 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, 2017, 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 \$374,600, made up of two issues.

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, 2017

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	\$ 43,160,520	\$ 67,543,586	\$ (1,820,332)	\$ 108,883,774
Unrestricted	2,331,118	7,579,462	1,820,332	11,730,912

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, 2017

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 \$4,538,158 or 28.1% of 2017 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, 2017

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, 2017

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.

Special assessments receivable	\$	82,797
EMS accounts receivable		112,748
Transit accounts receivable		52,726
Accrued Interest		27,950
Wisconsin DNR grant receivable		<u>182,496</u>
Combined Adjustment for Unavailable Revenue	\$	<u>458,717</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	\$	38,303,648
Compensated absences		1,139,096
Capital leases		255,584
Accrued interest		272,552
Premium on debt		<u>1,002,315</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>40,973,195</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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	\$ 4,082,641	\$ 4,902,791	\$ 820,150
TID No. 3 capital projects fund	1,094,594	1,094,712	118
TID No. 4 capital projects fund	584,220	586,360	2,140
Seal a smile fund	12,835	15,415	2,580
CDBG housing rehab fund	10,000	10,593	593
CDBG economic fund	400	61,376	60,976
Developer parks fund	16,000	51,519	35,519

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, 2017, the following individual funds held a deficit balance:

Fund	Amount	Reason
Transit system fund	\$ (44,487)	Grant revenue is unavailable
TID No. 6 capital projects fund	(14,794)	Excess of expenditures over revenues
TID No. 7 capital projects fund	(42,542)	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.

The Transit system fund deficit is anticipated to be funded with future grant revenues.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

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.

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	\$ 8,189,623	\$ 9,221,378	Custodial credit
U.S. agencies - implicitly guaranteed	3,960,785	3,960,785	Credit, Custodial credit, Concentration of credit, interest rate
LGIP	24,611,653	21,611,653	Credit
Watertown Area Community Foundation	124,477	124,477	Interest rate, credit
Certificates of deposit (negotiable)	5,155,854	5,155,854	Credit, Custodial credit, Concentration of credit, interest rate
Cash on hand	1,718,198	-	N/A
Total Deposits and Investments	\$ 43,760,590	\$ 40,074,147	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 21,852,016		
Restricted cash and investments	5,165,214		
Per statement of assets and liabilities - agency fund			
Cash and investments	16,743,360		
Total Deposits and Investments	\$ 43,760,590		

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

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

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

The city maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities in the amount of \$6,029,445 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

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
U.S. agencies - implicitly guaranteed	\$ -	\$ 3,960,785	\$ -	\$ 3,960,785
Certificates of deposits (negotiable)	-	5,155,854	-	5,155,854
Total	\$ -	\$ 9,116,639	\$ -	\$ 9,116,639

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.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2017, \$2,690,528 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 2,690,528</u>
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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, 2017, the city's investments were rated as follows:

Investment Type	Amount	Standard & Poors	Moody's Investors Services	Not Rated
U.S agencies - implicitly guaranteed	\$ 3,960,785	AA+	Aaa	
Certificates of deposits (negotiable)	390,503	A2	P1	
Certificates of deposits (negotiable)	250,358	A1	P1	
Certificates of deposits (negotiable)	247,065	A1+		
Certificates of deposits (negotiable)	104,068	A2		
Certificates of deposits (negotiable)	250,043		P1	
Certificates of deposits (negotiable)	639,484		P2	
Certificates of deposits (negotiable)	248,721		P3	
Certificates of deposits (negotiable)	<u>3,025,612</u>			Not rated
 Total	 <u>\$ 9,116,639</u>			

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

Local Government Investment Pool

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

Watertown Area Community Foundation

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, 2017, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	1-5
U.S. agencies implicitly guaranteed	\$ 3,960,785	\$ -	\$ 3,960,785
Certificates of deposits (negotiable)	<u>5,155,854</u>	<u>3,711,125</u>	<u>1,444,729</u>
Totals	<u>\$ 9,116,639</u>	<u>\$ 3,711,125</u>	<u>\$ 5,405,514</u>

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

B. RECEIVABLES

All receivables, except \$33,920 in general fund and \$871,254 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, 2017

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:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 15,093,403	\$ -
Special assessments receivable	-	82,797
EMS accounts receivable not available	-	112,748
Transit accounts receivable	-	52,726
Accrued interest	-	27,950
Wisconsin DNR grant receivable	-	182,496
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 15,093,403	 \$ 458,717

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, 2017, 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, 2017

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.

Following is a list of restricted assets at December 31, 2017:

Restricted Assets	
Redemption account	\$ 1,809,169
Reserve account	453,078
Depreciation account	129,731
Replacement account	<u>2,773,236</u>
Total Restricted Assets	<u>\$ 5,165,214</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,959,340	\$ -	\$ 157,591	\$ 7,801,749
Construction in progress	<u>-</u>	<u>87,422</u>	<u>-</u>	<u>87,422</u>
Total Capital Assets Not Being Depreciated	<u>7,959,340</u>	<u>87,422</u>	<u>157,591</u>	<u>7,889,171</u>
Capital assets being depreciated				
Land improvements	3,440,437	173,755	6,000	3,608,192
Buildings	19,393,625	18,384	11,135	19,400,874
Machinery and equipment	14,704,881	1,107,698	2,791,785	13,020,794
Roads	75,879,641	379,217	265,873	75,992,985
Bridges	7,916,338	-	-	7,916,338
Sidewalks	2,742,231	82,034	6,131	2,818,134
Dams	927,703	1,129,986	-	2,057,689
Airport	3,904,963	-	-	3,904,963
Rail spur	<u>895,335</u>	<u>-</u>	<u>-</u>	<u>895,335</u>
Total Capital Assets Being Depreciated	<u>129,805,154</u>	<u>2,891,074</u>	<u>3,080,924</u>	<u>129,615,304</u>
Total Capital Assets	<u>137,764,494</u>	<u>2,978,496</u>	<u>3,238,515</u>	<u>137,504,475</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (1,403,893)	\$ (100,159)	\$ 3,500	\$ (1,500,552)
Buildings	(9,732,690)	(479,969)	10,412	(10,202,247)
Machinery and equipment	(7,603,691)	(753,530)	2,390,781	(5,966,440)
Roads	(35,102,742)	(1,783,973)	194,389	(36,692,326)
Bridges	(1,729,405)	(97,716)	-	(1,827,121)
Sidewalks	(1,022,613)	(39,871)	5,406	(1,057,078)
Dams	(109,426)	(22,896)	-	(132,322)
Airport	(3,816,916)	(6,072)	-	(3,822,988)
Rail spur	(68,314)	(11,191)	-	(79,505)
Total Accumulated Depreciation	(60,589,690)	(3,295,377)	2,604,488	(61,280,579)
Net Capital Assets Being Depreciated	69,215,464	(404,303)	476,436	68,334,725
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 77,174,804	\$ (316,881)	\$ 634,027	\$ 76,223,896

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 208,737
Public safety	292,053
Public works	2,518,913
Culture, recreation, education	257,954
Health and human services	17,720
Total Governmental Activities Depreciation Expense	\$ 3,295,377

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

D. CAPITAL ASSETS (cont.)

	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>3,325,381</u>	<u>6,919,295</u>	<u>10,244,676</u>	<u>-</u>
Total Capital Assets Not Being depreciated	<u>4,849,595</u>	<u>6,919,295</u>	<u>10,244,676</u>	<u>1,524,214</u>
Capital assets being depreciated				
Water system	43,380,588	10,825,984	1,877,126	52,329,446
Wastewater system	57,660,447	710,697	132,605	58,238,539
Stormwater system	<u>19,962,244</u>	<u>175,550</u>	<u>14,751</u>	<u>20,123,043</u>
Total Capital Assets Being Depreciated	<u>121,003,279</u>	<u>11,712,231</u>	<u>2,024,482</u>	<u>130,691,028</u>
Total Capital Assets	<u>125,852,874</u>	<u>18,631,526</u>	<u>12,269,158</u>	<u>132,215,242</u>
Less: Accumulated depreciation for				
Water system	(14,305,255)	(1,630,400)	1,877,126	(14,058,529)
Wastewater system	(18,006,087)	(1,603,079)	163,982	(19,445,184)
Stormwater system	<u>(6,181,512)</u>	<u>(504,235)</u>	<u>14,751</u>	<u>(6,670,996)</u>
Total Accumulated Depreciation	<u>(38,492,854)</u>	<u>(3,737,714)</u>	<u>2,055,859</u>	<u>(40,174,709)</u>
Net Capital Assets Being Depreciated	<u>82,510,425</u>	<u>7,974,517</u>	<u>(31,377)</u>	<u>90,516,319</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 87,360,020</u>	<u>\$14,893,812</u>	<u>\$10,213,299</u>	<u>\$ 92,040,533</u>

Depreciation expense was charged to functions as follows:

Business-type Activities	
Water	\$ 1,223,576
Sewer	1,603,079
Storm	<u>504,235</u>
 Total Business-type Activities Depreciation Expense	 <u>\$ 3,330,890</u>

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.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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	\$ 868,064
General fund	TID No. 6	14,794
General fund	Transit	5,225
Water utility	General fund	177,665
Wastewater utility	General fund	210,437
Stormwater utility	General fund	55,819
Wastewater utility	Water Utility	<u>29,545</u>
Total - Fund Financial Statements		1,361,549
Less: Fund eliminations		<u>(937,406)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 424,143</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 868,064
Business-type Activities	Governmental Activities	<u>(443,921)</u>
Total Government-Wide Financial Statements		<u><u>\$ 424,143</u></u>

All amounts are due within one year.

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

Advances

The general fund is advancing funds to TID No. 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.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

Advances (cont.)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 7	\$ 40,635	\$ 40,635
Total - Fund Financial Statements		40,635	
Less: Fund eliminations		<u>(40,635)</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
TID No. 4	TID No. 3	\$ 532,969	Contribution
General fund	Water utility	868,064	Tax equivalent
Transit system	General fund	50,000	Fund operations
Library trust	Debt service	15,500	Library costs
General fund	Tourism	<u>6,250</u>	Tourism activity
Sub-Total		1,472,783	
Less: Fund eliminations		<u>(604,719)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 868,064</u></u>	

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 39,903,350	\$ 3,710,000	\$ 5,309,702	\$ 38,303,648	\$ 5,111,206
Premiums	<u>924,107</u>	<u>183,390</u>	<u>105,182</u>	<u>1,002,315</u>	<u>-</u>
Sub-totals	<u>40,827,457</u>	<u>3,893,390</u>	<u>5,414,884</u>	<u>39,305,963</u>	<u>5,111,206</u>
Other Liabilities					
Accumulated vacation	704,779	718,377	704,779	718,377	718,377
Vested sick leave	408,567	12,152	-	420,719	-
Capital leases	312,488	-	56,904	255,584	59,573
Net pension liability	<u>1,186,892</u>	<u>-</u>	<u>576,999</u>	<u>609,893</u>	<u>-</u>
Total Other Liabilities	<u>2,612,726</u>	<u>730,529</u>	<u>1,338,682</u>	<u>2,004,573</u>	<u>777,950</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 43,440,183</u>	<u>\$ 4,623,919</u>	<u>\$ 6,753,566</u>	<u>\$ 41,310,536</u>	<u>\$ 5,889,156</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,661,330	\$ 95,000	\$ 326,330	\$ 1,430,000	\$ 240,000
Revenue bonds	16,188,977	10,770,830	3,533,045	23,426,762	2,665,949
Premiums	<u>283,535</u>	<u>25,775</u>	<u>25,476</u>	<u>283,834</u>	<u>-</u>
Sub-totals	<u>18,133,842</u>	<u>10,891,605</u>	<u>3,884,851</u>	<u>25,140,596</u>	<u>2,905,949</u>
Other Liabilities					
Vested compensated absences	102,436	99,961	102,436	99,961	38,304
Net pension liability	<u>155,447</u>	<u>-</u>	<u>77,929</u>	<u>77,518</u>	<u>-</u>
Total Other Liabilities	<u>257,883</u>	<u>99,961</u>	<u>180,365</u>	<u>177,479</u>	<u>38,304</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 18,391,725</u>	<u>\$ 10,991,566</u>	<u>\$ 4,065,216</u>	<u>\$ 25,318,075</u>	<u>\$ 2,944,253</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2017, was \$69,703,550. Total general obligation debt outstanding at year-end was \$39,733,648.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

F. LONG-TERM OBLIGATIONS (cont.)

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.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
Bonds	7/22/08	2023	4.00 - 4.15%	\$ 6,345,000	\$ 355,000
Promissory notes	6/23/09	2019	2.50 - 4.00%	7,165,000	1,210,000
Refunding bonds	7/21/10	2021	2.00 - 3.50%	4,395,000	2,030,000
Bonds	8/3/10	2030	2.95 - 4.00%	1,305,000	1,175,000
Promissory notes	8/3/10	2020	1.50 - 2.90%	1,125,000	375,000
State trust fund loan	3/16/10	2030	5.50%	2,500,000	1,907,247
State trust fund loan	3/16/10	2030	5.50%	1,000,000	762,899
State trust fund loan	9/21/10	2030	5.25%	825,000	660,153
Promissory notes	3/10/11	2020	2.00 - 3.40%	1,420,000	560,000
Refunding bonds	3/16/11	2026	2.00 - 4.25%	1,100,000	520,000
Bonds	3/23/12	2021	2.00 - 3.00%	1,805,000	1,030,000
Refunding bonds	8/28/12	2021	2.00 - 1.75%	1,850,000	1,310,000
Refunding bonds	2/26/13	2025	2.00 - 2.50%	7,625,000	4,860,000
Promissory notes	2/26/13	2022	2.00%	1,560,000	905,000
Promissory notes	3/19/14	2023	2.00 - 3.00%	3,300,000	2,260,000
Promissory notes	3/10/15	2024	2.00 - 3.00%	4,080,000	3,965,000
Refunding bonds	3/10/15	2027	2.00 - 4.00%	710,000	620,000
State trust fund loan	5/5/15	2020	3%	168,000	103,349
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	7,385,000
Promissory notes	3/1/17	2026	2.00-4.00%	3,000,000	3,000,000
Refunding bonds	3/1/17	2023	1.50-2.70%	710,000	710,000

Total Governmental Activities - General Obligation Debt \$ 38,303,648

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
Bonds	7/22/08	2023	4.00 - 4.15%	\$ 1,450,000	\$ 105,000
Refunding Bonds	2/23/16	2028	3%	1,240,000	1,230,000
Refunding bonds	3/1/17	2023	1.50-2.70%	95,000	<u>95,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 1,430,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 5,111,206	\$ 1,116,617	\$ 240,000	\$ 38,099
2019	4,972,171	963,087	240,000	30,580
2020	4,903,263	840,976	255,000	24,450
2021	4,849,285	704,382	270,000	16,720
2022	4,025,964	571,698	280,000	8,515
2023-2027	12,368,180	1,329,180	145,000	2,145
2028-2030	<u>2,073,579</u>	<u>143,578</u>	-	-
Totals	<u>\$ 38,303,648</u>	<u>\$ 5,669,518</u>	<u>\$ 1,430,000</u>	<u>\$ 120,509</u>

Revenue Debt

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

The water utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2012-2017. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from water revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require 27% of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,192,940. Principal and interest paid for the current year and total customer net revenues were \$705,432 and \$3,403,060, respectively.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

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 58% of net revenues. The total principal and interest remaining to be paid on the bonds is \$9,590,362. Principal and interest paid for the current year and total customer net revenues were \$1,993,263 and \$3,332,933, respectively.

Revenue debt payable at December 31, 2017, consists of the following:

Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
<u>Water Utility</u>					
Revenue bonds	4/23/12	2032	2.00 - 3.50%	\$ 5,880,000	\$ 3,695,000
Revenue bonds	3/1/17	2027	2.00 - 3.00%	945,000	945,000
Revenue bonds	3/1/17	2037	1.87%	9,825,830	<u>9,825,830</u>
				Total Water Utility	<u>14,465,830</u>
<u>Wastewater Utility</u>					
Revenue bonds	1/8/03	2022	2.750%	24,875,636	<u>8,960,932</u>
				Total Wastewater Utility	<u>8,960,932</u>
Total Business-type Activities - Revenue Debt					<u>\$ 23,426,762</u>

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2018	\$ 2,665,949	\$ 548,055
2019	2,735,258	476,955
2020	2,810,993	401,313
2021	2,888,191	320,963
2022	2,971,895	238,191
2023-2027	3,362,744	798,099
2028-2032	3,184,167	439,766
2033-2037	<u>2,807,565</u>	<u>133,198</u>
Totals	<u>\$ 23,426,762</u>	<u>\$ 3,356,540</u>

Capital Leases

Refer to Note IV. G.

Other Debt Information

Estimated payments of compensated absences and net pension liability are not included in the debt service requirement schedules. The compensated absences liability and net pension 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.

Current Refunding

On March 01, 2017, the city issued \$805,000 in general obligation bonds with an average coupon rate of 1.5-2.7% to refund \$779,402 of outstanding state trust fund loan with an average coupon rate of 5.25%. The net proceeds along with existing funds of the city were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$935,460 from 2018 through 2023. The cash flow requirements on the refunding bonds are \$880,861 from 2018 through 2023. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$57,924.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

F. LONG-TERM OBLIGATIONS (cont.)

On March 01, 2017, the water utility issued \$945,000 in revenue bonds with an average coupon rate of 2.74% to refund \$1,225,000 of outstanding bonds with an average coupon rate of 3.94%. The net proceeds along with existing funds of the water utility were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$1,551,525 from 2017 through 2027. The cash flow requirements on the refunding bonds are \$1,097,083 from 2017 through 2027. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$57,644.

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, 2017, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2018	\$ 59,573	\$ 11,987	\$ 71,560
2019	62,367	9,193	71,560
2020	65,292	6,268	71,560
2021	68,352	3,206	71,558
Totals	\$ 255,584	\$ 30,654	\$ 286,238

H. NET POSITION/FUND BALANCES

Net position reported on the government-wide statement of net position at December 31, 2017, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 7,801,749
Construction in progress	87,422
Other capital assets, net of accumulated depreciation	68,334,725
Less: Long-term debt outstanding	(38,559,232)
Plus: Noncapital debt outstanding	6,498,171
Less: Unamortized debt premium	(1,002,315)
Total Net Investment in Capital Assets	\$ 43,160,520

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017, include the following:

	General	Debt Service	General Capital Projects	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Delinquent personal property taxes	\$ 5,154	\$ -	\$ -	\$ -	\$ 5,154
Prepaid items	221,229	-	-	-	221,229
Advances to other funds	40,635	-	-	-	40,635
Permanent trust	-	-	-	18,200	18,200
Sub-total	267,018	-	-	18,200	285,218
Restricted for:					
Debt service	-	200,536	-	-	200,536
TID activities	-	-	-	6,500,499	6,500,499
Library	-	-	-	296,594	296,594
Grant/loan programs	-	-	-	1,716,869	1,716,869
Emergency management training	6,931	-	-	-	6,931
Developer parks	-	-	-	164,110	164,110
Tourism	-	-	-	10,580	10,580
Health program activities	-	-	-	23,094	23,094
Sub-total	6,931	200,536	-	8,711,746	8,919,213
Committed to:					
General capital projects	-	-	596,663	-	596,663
Riverfest operations	-	-	-	65,866	65,866
Environmental health	-	-	-	362,644	362,644
Refuse collection and recycling	-	-	-	427,209	427,209
Sub-total	-	-	596,663	855,719	1,452,382
Assigned to:					
Water utility tax equivalent	868,064	-	-	-	868,064
Carryovers	81,583	-	-	-	81,583
Subsequent year's budget	200,000	-	-	-	200,000
General reserve projects	111,862	-	-	-	111,862
Sub-total	1,261,509	-	-	-	1,261,509
Unassigned (deficit):	4,538,158	-	-	(101,823)	4,436,335
Total Fund Balances (Deficit)	\$ 6,073,616	\$ 200,536	\$ 596,663	\$ 9,483,842	\$ 16,354,657

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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
Other capital assets, net of accumulated depreciation	90,516,319
Less: Long-term debt outstanding	(24,856,762)
Plus: Unspent capital related debt proceeds	548,078
Less: Unamortized premium	(283,834)
Plus: Unamortized loss on advance refunding	<u>95,571</u>
 Total Net Investment in Capital Assets	 <u>\$ 67,543,586</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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	<u>\$ 291,826</u>	<u>\$ 328,211</u>	Custodial credit risk

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, 2017

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.)

As of December 31, 2017, \$78,211 of the RDA's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>78,211</u>
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See Note I.D.1. for further information on deposit and investment policies.

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, 2017 was \$19,800, all of which is due in 2023. Interest amount outstanding as of December 31, 2017 was not significant.

d. Property Held for Resale

Property held for resale consists of land and buildings and is recorded at historical cost.

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 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone 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, 2017

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 State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

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, 2017

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 \$812,547 in contributions from the city.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the city reported a liability of \$687,411 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the city's proportion was 0.08339948%, which was an increase of 0.00079304% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city recognized pension expense of \$1,774,038.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2017, 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	\$ 262,109	\$ 2,161,848
Changes in assumptions	718,715	-
Net differences between projected and actual earnings on pension plan investments	3,421,712	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,873	5,751
Employer contributions subsequent to the measurement date	892,699	-
Totals	\$ 5,327,108	\$ 2,167,599

\$892,699 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 1,614,089	\$ 691,622
2019	1,614,087	691,622
2020	1,318,872	691,622
2021	(113,832)	92,666
2022	1,193	67

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% 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 2015 using experience from 2012-2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% 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 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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.

Sensitivity of the city's proportionate share of the net pension liability(asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension *liability(asset)* calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension *liability(asset)* would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability(asset)	\$9,043,330	\$687,411	\$(5,747,026)

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, 2017, 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 2017 was \$11,305. 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.

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V - OTHER INFORMATION (cont.)

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.

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, 2017. 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

In April 2018, the city council approved a resolution to close-out Tax Incremental District No. 3.

On February 27, 2018 the city issued general obligation promissory notes in the amount of \$4,100,000 with an interest rate of 3-4%. This amount will be used for various capital projects.

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, 2017

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	2017 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.	\$ 52,210
The city will contribute \$450,000 to the developer upon substantial completion of the Riverwalk work. Unpaid amount will accrue interest at the rate of 6.25%. Outstanding balance at December 31, 2016 was \$449,222.	Tax increment	Developer agreed to construct a housing complex	41,299

CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property taxes for city purposes	\$ 8,261,721	\$ 8,261,721	\$ 8,257,679	\$ (4,042)
Payments in lieu of taxes	287,900	287,900	264,566	(23,334)
Tax chargebacks	-	-	330	330
Interest on taxes	23,000	23,000	23,769	769
Totals	<u>8,572,621</u>	<u>8,572,621</u>	<u>8,546,344</u>	<u>(26,277)</u>
INTERGOVERNMENTAL				
Shared taxes from state	3,053,792	3,053,792	3,054,451	659
Computer exemption aid	43,000	43,000	44,268	1,268
Fire insurance from state	50,000	50,000	62,870	12,870
State aid - service to state facilities	2,766	2,766	2,443	(323)
State aid - police training	6,600	6,600	5,920	(680)
State aid - road allotment	983,141	983,141	919,332	(63,809)
State aid - connecting streets	49,479	49,479	49,631	152
State aid - health department grant	67,621	67,621	90,326	22,705
State aid - gas tax refund	6,800	6,800	7,094	294
Firefighter grants	-	-	36,518	36,518
Police grant - Dept. of Justice	8,000	8,000	5,561	(2,439)
Totals	<u>4,271,199</u>	<u>4,271,199</u>	<u>4,278,414</u>	<u>7,215</u>
LICENSES AND PERMITS				
Class A - malt - retail and grocery	1,900	1,900	2,125	225
Class A - liquor - liquor store	6,000	6,000	8,150	2,150
Class B - malt and liquor	28,800	28,800	24,914	(3,886)
Class B - malt only	1,900	1,900	1,550	(350)
Class B - malt - special events	325	325	395	70
Special events licenses - police officers	800	800	550	(250)
Beverage operator licenses	27,000	27,000	27,359	359
Cigarette licenses	775	775	800	25
Dog licenses	11,500	11,500	11,296	(204)
Cat licenses	1,700	1,700	1,820	120
Dog penalties	1,200	1,200	1,530	330
Soft drink licenses	260	260	205	(55)
Miscellaneous licenses	700	700	670	(30)
Music licenses	700	700	675	(25)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
LICENSES AND PERMITS (cont.)				
Bicycle license fees	\$ 200	\$ 200	\$ 245	\$ 45
Building permits, plan approval and state stickers	160,450	160,450	104,856	(55,594)
Demolition permits	500	500	9,904	9,404
Registration of vacant buildings/derelict structures	800	800	850	50
Chicken permits	200	200	250	50
Occupy street/sidewalk	900	900	1,365	465
Heating permits	22,000	22,000	23,972	1,972
Electric permits	33,000	33,000	50,301	17,301
Plumbing permits	20,000	20,000	16,655	(3,345)
Swimming pool permits	350	350	75	(275)
Sign permits	500	500	1,275	775
Fire protection permits	1,500	1,500	1,050	(450)
Miscellaneous permits	25	25	300	275
Court penalties and costs	240,000	240,000	201,641	(38,359)
Totals	<u>563,985</u>	<u>563,985</u>	<u>494,778</u>	<u>(69,207)</u>
PUBLIC CHARGES FOR SERVICES				
Clerk and treasurer fees	5,500	5,500	10,807	5,307
Publication fees	3,800	3,800	3,900	100
Attorney fees	150	150	-	(150)
Sale of materials and supplies	20,500	500	1,193	693
Cable TV fees	260,000	260,000	246,312	(13,688)
Appeal fees	700	700	400	(300)
Site plan review fees	5,000	5,000	4,950	(50)
Public hearing fees	14,000	14,000	11,350	(2,650)
Cable TV revenue	1,000	1,000	1,426	426
Reimbursement from prior year	-	-	4,221	4,221
Sales tax discount	150	150	135	(15)
Miscellaneous	18,000	18,000	27,976	9,976
Charges for city services - tax exempt property	26,000	26,000	25,600	(400)
Stipulation and waiver fees	70	70	60	(10)
Police department revenue	16,500	16,500	11,265	(5,235)
Alarm permits/response fees	4,000	4,000	4,785	785
Ambulance - EMS charges	540,000	540,000	442,336	(97,664)
Fire cost recovery	4,000	4,000	3,000	(1,000)
Health department revenue	13,000	13,000	5,828	(7,172)
County aid - health check	18,000	18,000	15,951	(2,049)
Parking violations	25,000	25,000	31,248	6,248
Yard waste exemption	200	200	175	(25)
Fees for plans and specs	700	700	470	(230)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES (cont.)				
Public works charges for services	\$ 1,000	\$ 1,000	\$ 6,239	\$ 5,239
Recreation department revenues	115,000	115,000	134,122	19,122
Recreation department concessions	1,500	1,500	1,799	299
Ticket sales revenue	1,000	1,000	735	(265)
Aquatic center revenue	160,000	160,000	147,751	(12,249)
Indoor swimming pool	50,000	50,000	49,665	(335)
Senior center revenue	3,200	3,200	3,291	91
Senior center memberships	6,500	6,500	6,880	380
Senior center rental fees	16,000	16,000	17,218	1,218
Park rentals	30,000	30,000	34,758	4,758
Miscellaneous park revenues	30,000	30,000	23,237	(6,763)
Totals	<u>1,390,470</u>	<u>1,370,470</u>	<u>1,279,083</u>	<u>(91,387)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Fire/EMS protection services - townships	<u>210,635</u>	<u>210,635</u>	<u>212,503</u>	<u>1,868</u>
INVESTMENT INCOME				
Investment income	<u>65,000</u>	<u>65,000</u>	<u>83,665</u>	<u>18,665</u>
MISCELLANEOUS REVENUES				
Insurance dividends	50,000	50,000	52,366	2,366
Airport crop land rental	-	-	11,843	11,843
Airport hangar rental	10,800	10,800	12,244	1,444
Airport fuel tax	5,000	5,000	3,323	(1,677)
Airport terminal rent	2,400	2,400	2,200	(200)
Billboard rent	-	-	3,615	3,615
Fire prevention programs	-	-	11,411	11,411
Police K-9	2,500	2,500	-	(2,500)
Police donations	10,000	10,000	41,758	31,758
Senior center fundraising	-	-	21,496	21,496
Bike Trail	-	-	1,122	1,122
EMS/EMT Training	-	-	6,734	6,734
4th of July parade	-	-	12,350	12,350
Christmas Parade	-	-	6,525	6,525
Totals	<u>80,700</u>	<u>80,700</u>	<u>186,987</u>	<u>106,287</u>
OTHER FINANCING SOURCES				
Sale of assets	-	20,000	25,932	5,932
Transfer in	-	-	6,250	6,250
Transfer in - tax equivalent	<u>770,000</u>	<u>770,000</u>	<u>868,064</u>	<u>98,064</u>
Totals	<u>770,000</u>	<u>790,000</u>	<u>900,246</u>	<u>110,246</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>15,924,610</u>	<u>15,924,610</u>	<u>15,982,020</u>	<u>57,410</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Common council	\$ 86,986	\$ 86,986	\$ 81,154	\$ 5,832
Commissions and committees	250	250	265	(15)
Municipal court	117,813	117,813	121,309	(3,496)
Mayor	176,769	199,904	138,168	61,736
Clerk/treasurer	421,278	435,326	431,272	4,054
Elections	39,495	39,495	30,395	9,100
Assessment of property	68,200	68,200	70,152	(1,952)
Accounting and auditing	50,000	50,000	52,559	(2,559)
City attorney	192,852	192,852	187,137	5,715
Special legal fees	30,000	30,000	12,165	17,835
Municipal building	301,001	301,001	294,671	6,330
Other buildings	4,500	4,500	4,455	45
Information Technology	105,850	136,642	128,144	8,498
Property and liability insurance	446,200	446,200	434,374	11,826
Employee Bonds	520	520	-	520
Retiree health insurance	18,000	15,684	11,305	4,379
Employee assistance program	2,000	2,000	830	1,170
Employee Best Flex 125 Plan	4,500	4,500	5,039	(539)
Employee pay plan study/training	2,000	2,000	250	1,750
Police and fire pension	2,934	2,934	-	2,934
Unemployment compensation	5,000	5,000	103	4,897
Cable TV	73,416	73,416	66,176	7,240
Other general government	-	-	244	(244)
Contingency	52,829	-	-	-
Totals	<u>2,202,393</u>	<u>2,215,223</u>	<u>2,070,167</u>	<u>145,056</u>
PUBLIC SAFETY				
Police	4,021,515	3,971,515	3,886,884	84,631
Crossing guards	37,430	37,430	36,806	624
Dispatch center	679,070	679,070	684,636	(5,566)
Fire department	2,462,611	2,466,011	2,496,982	(30,971)
Building inspection	247,188	247,188	237,583	9,605
Emergency government	5,500	5,500	4,281	1,219
Totals	<u>7,453,314</u>	<u>7,406,714</u>	<u>7,347,172</u>	<u>59,542</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC WORKS				
Engineering	\$ 432,627	\$ 437,841	\$ 419,701	\$ 18,140
Planning	28,000	28,000	9,366	18,634
Machinery and equipment	443,132	443,132	412,649	30,483
Garages and sheds	115,780	115,780	117,600	(1,820)
Street administration	284,202	284,202	285,045	(843)
Service to other departments	49,786	49,786	113,995	(64,209)
Traffic control	26,000	26,000	25,358	642
Street maintenance	701,527	701,527	705,817	(4,290)
Snow and ice control	405,618	405,618	318,488	87,130
Signs and markings	92,465	99,370	86,475	12,895
Street lighting	414,000	414,000	501,486	(87,486)
Airport	192,500	200,400	169,711	30,689
Totals	<u>3,185,637</u>	<u>3,205,656</u>	<u>3,165,691</u>	<u>39,965</u>
HEALTH AND HUMAN SERVICES				
Health care	<u>391,243</u>	<u>391,243</u>	<u>389,796</u>	<u>1,447</u>
CULTURE, EDUCATION, AND RECREATION				
Library	726,844	726,844	726,843	1
Recreation administration	196,410	196,410	192,302	4,108
Recreation	116,473	124,501	126,583	(2,082)
Aquatic center	230,922	224,322	211,795	12,527
Indoor pool	172,279	172,279	147,873	24,406
Senior & community center	243,840	243,840	226,432	17,408
Parks	844,962	844,962	837,099	7,863
Park garage	21,300	21,300	18,591	2,709
Totals	<u>2,553,030</u>	<u>2,554,458</u>	<u>2,487,518</u>	<u>66,940</u>
CONSERVATION AND DEVELOPMENT				
Economic development	<u>162,483</u>	<u>162,483</u>	<u>159,833</u>	<u>2,650</u>
Totals	<u>162,483</u>	<u>162,483</u>	<u>159,833</u>	<u>2,650</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, 2017

	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	<u>164,000</u>	<u>164,000</u>	<u>164,000</u>	<u>-</u>
CAPITAL OUTLAY				
Fire prevention programs		-	17,027	(17,027)
Police department donations	10,000	10,000	40,052	(30,052)
Police canine unit	2,500	2,500	1,164	1,336
Senior center fundraising	-	-	15,125	(15,125)
Bike Trail	-	-	1,125	(1,125)
EMT training/Act 102	-	-	6,910	(6,910)
4th of July Parade	-	-	17,525	(17,525)
Christmas Parade	-	-	9,310	(9,310)
Totals	<u>12,500</u>	<u>12,500</u>	<u>108,238</u>	<u>(95,738)</u>
OTHER FINANCING USES				
Transfer out - transit	-	50,000	50,000	-
TOTAL EXPENDITURES	<u>16,124,600</u>	<u>16,162,277</u>	<u>15,942,415</u>	<u>219,862</u>
Net change in fund balance	(199,990)	(237,667)	39,605	277,272
FUND BALANCE - Beginning of Year	<u>6,034,011</u>	<u>6,034,011</u>	<u>6,034,011</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,834,021</u>	<u>\$ 5,796,344</u>	<u>\$ 6,073,616</u>	<u>\$ 277,272</u>

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, 2017

<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>
12/31/17	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, 2017

<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>
12/31/17	\$ 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, 2017

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 \$81,583 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. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF WATERTOWN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Special Revenue Funds			
	Transit System Fund	CDBG Economic Fund	CDBG Housing Rehab Fund	Library Fund
ASSETS				
Cash and investments	\$ -	\$ 759,508	\$ 43,984	\$ 197,777
Receivables (net)				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	25
Grants receivable	52,726	-	-	-
Loans receivable	-	94,651	776,603	-
Prepaid items	-	-	-	-
TOTAL ASSETS	\$ 52,726	\$ 854,159	\$ 820,587	\$ 197,802
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,262	\$ -	\$ -	\$ 14,805
Accrued liabilities	-	-	-	-
Due to other funds	5,225	-	-	-
Advances from other funds	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	<u>44,487</u>	<u>-</u>	<u>-</u>	<u>14,805</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	52,726	-	-	-
Total Deferred Inflows of Resources	<u>52,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable:				
Permanent trust	-	-	-	-
Restricted	-	854,159	820,587	182,997
Committed	-	-	-	-
Unassigned (deficit)	(44,487)	-	-	-
Total Fund Balances	<u>(44,487)</u>	<u>854,159</u>	<u>820,587</u>	<u>182,997</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 52,726	\$ 854,159	\$ 820,587	\$ 197,802

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
\$ 66,012	\$ 164,110	\$ 368,629	\$ 43,462	\$ 23,265	\$ 113,597	\$ 16,547	\$ 275,877
-	-	-	-	-	-	-	61,259
-	-	-	-	-	-	-	118,247
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	4,458	2	-	-	-	8,410
<u>\$ 66,012</u>	<u>\$ 164,110</u>	<u>\$ 373,087</u>	<u>\$ 43,464</u>	<u>\$ 23,265</u>	<u>\$ 113,597</u>	<u>\$ 16,547</u>	<u>\$ 463,793</u>
\$ 146	\$ -	\$ 3,430	\$ -	\$ -	\$ -	\$ 5,967	\$ 27,120
-	-	7,013	1,341	171	-	-	9,464
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>146</u>	<u>-</u>	<u>10,443</u>	<u>1,341</u>	<u>171</u>	<u>-</u>	<u>5,967</u>	<u>36,584</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	164,110	-	42,123	23,094	113,597	10,580	-
65,866	-	362,644	-	-	-	-	427,209
-	-	-	-	-	-	-	-
<u>65,866</u>	<u>164,110</u>	<u>362,644</u>	<u>42,123</u>	<u>23,094</u>	<u>113,597</u>	<u>10,580</u>	<u>427,209</u>
<u>\$ 66,012</u>	<u>\$ 164,110</u>	<u>\$ 373,087</u>	<u>\$ 43,464</u>	<u>\$ 23,265</u>	<u>\$ 113,597</u>	<u>\$ 16,547</u>	<u>\$ 463,793</u>

CITY OF WATERTOWN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Capital Projects Funds				
	TID No. 3	TID No. 4	TID No. 5	TID No. 6	TID No. 7
ASSETS					
Cash and investments	\$ 1,128,159	\$ 1,710,450	\$ 3,967,133	\$ -	\$ -
Receivables (net)					
Taxes receivable	1,456,188	492,349	475,008	67,607	22,117
Accounts receivable	-	-	13,630	-	-
Grants receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
TOTAL ASSETS	\$ 2,584,347	\$ 2,202,799	\$ 4,455,771	\$ 67,607	\$ 22,117
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 5,225	\$ -	\$ 1,907
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	14,794	-
Advances from other funds	-	-	-	-	40,635
Other liabilities	-	-	300,018	-	-
Total Liabilities	-	-	305,243	14,794	42,542
Deferred Inflows of Resources					
Unearned revenues	1,456,188	492,349	475,008	67,607	22,117
Unavailable revenues	-	-	13,630	-	-
Total Deferred Inflows of Resources	1,456,188	492,349	488,638	67,607	22,117
Fund Balances					
Nonspendable:					
Permanent trust	-	-	-	-	-
Restricted	1,128,159	1,710,450	3,661,890	-	-
Committed	-	-	-	-	-
Unassigned (deficit)	-	-	-	(14,794)	(42,542)
Total Fund Balances	1,128,159	1,710,450	3,661,890	(14,794)	(42,542)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,584,347	\$ 2,202,799	\$ 4,455,771	\$ 67,607	\$ 22,117

Permanent	
<u>Fund</u>	Total
Library Trust	Nonmajor Funds
\$ 18,200	\$ 8,896,710
-	2,574,528
-	131,902
-	52,726
-	871,254
-	<u>12,870</u>
<u>\$ 18,200</u>	<u>\$ 12,539,990</u>

\$ -	\$ 97,862
-	17,989
-	20,019
-	40,635
-	<u>300,018</u>
-	<u>476,523</u>

-	2,513,269
-	<u>66,356</u>
-	<u>2,579,625</u>

18,200	18,200
-	8,711,746
-	855,719
-	<u>(101,823)</u>
<u>18,200</u>	<u>9,483,842</u>

<u>\$ 18,200</u>	<u>\$ 12,539,990</u>
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CITY OF WATERTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds			
	Transit	CDBG	CDBG	
	System	Economic	Housing	Library
	Fund	Fund	Rehab	Fund
	Fund	Fund	Fund	Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	417,100	-	-	243,281
Licenses and permits	-	-	-	-
Public charges for services	300,835	-	-	30,466
Investment income	-	6,113	382	-
Miscellaneous	-	-	-	24,378
Total Revenues	<u>717,935</u>	<u>6,113</u>	<u>382</u>	<u>298,125</u>
EXPENDITURES				
Current				
Public works	767,195	-	-	-
Health and human services	-	-	-	-
Culture, education, and recreation	-	-	-	257,501
Conservation and development	-	61,376	10,593	-
Capital outlay	-	-	-	35,301
Debt Service				
Principal	-	-	-	-
Interest, issuance costs and fiscal charges	-	-	-	-
Total Expenditures	<u>767,195</u>	<u>61,376</u>	<u>10,593</u>	<u>292,802</u>
Excess (deficiency) of revenues over expenditures	<u>(49,260)</u>	<u>(55,263)</u>	<u>(10,211)</u>	<u>5,323</u>
OTHER FINANCING SOURCES (USES)				
Debt Issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	50,000	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	740	(55,263)	(10,211)	5,323
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>(45,227)</u>	<u>909,422</u>	<u>830,798</u>	<u>177,674</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (44,487)</u>	<u>\$ 854,159</u>	<u>\$ 820,587</u>	<u>\$ 182,997</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,432	\$ -
3,000	-	36,583	49,957	15,997	-	-	131,402
-	-	1,358	-	-	-	-	-
-	-	334,510	-	-	-	-	1,122,637
335	1,565	-	-	-	15,117	-	-
414,661	-	11,964	-	-	10,080	-	43,488
<u>417,996</u>	<u>1,565</u>	<u>384,415</u>	<u>49,957</u>	<u>15,997</u>	<u>25,197</u>	<u>129,432</u>	<u>1,297,527</u>
-	-	-	-	-	-	-	932,838
-	-	325,427	38,742	15,415	-	-	-
414,957	-	-	-	-	1,300	112,602	-
-	-	-	-	-	-	-	-
-	51,519	-	-	-	-	-	263,688
-	-	-	-	-	-	-	138,200
-	-	-	-	-	-	-	31,926
<u>414,957</u>	<u>51,519</u>	<u>325,427</u>	<u>38,742</u>	<u>15,415</u>	<u>1,300</u>	<u>112,602</u>	<u>1,366,652</u>
<u>3,039</u>	<u>(49,954)</u>	<u>58,988</u>	<u>11,215</u>	<u>582</u>	<u>23,897</u>	<u>16,830</u>	<u>(69,125)</u>
-	-	-	-	-	-	-	265,000
-	-	-	-	-	-	-	16,141
-	-	-	-	-	15,500	-	-
-	-	-	-	-	-	(6,250)	-
-	-	-	-	-	15,500	(6,250)	281,141
3,039	(49,954)	58,988	11,215	582	39,397	10,580	212,016
<u>62,827</u>	<u>214,064</u>	<u>303,656</u>	<u>30,908</u>	<u>22,512</u>	<u>74,200</u>	<u>-</u>	<u>215,193</u>
<u>\$ 65,866</u>	<u>\$ 164,110</u>	<u>\$ 362,644</u>	<u>\$ 42,123</u>	<u>\$ 23,094</u>	<u>\$ 113,597</u>	<u>\$ 10,580</u>	<u>\$ 427,209</u>

CITY OF WATERTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Capital Projects Funds				
	TID No.3	TID No.4	TID No. 5	TID No. 6	TID No. 7
REVENUES					
Taxes	\$ 1,462,195	\$ 489,004	\$ 390,240	\$ 67,449	\$ -
Intergovernmental	8,774	352	6,496	-	-
Licenses and permits	-	-	-	-	-
Public charges for services	-	-	-	-	-
Investment income	9,844	13,904	37,820	-	-
Miscellaneous	-	-	22,180	-	-
Total Revenues	<u>1,480,813</u>	<u>503,260</u>	<u>456,736</u>	<u>67,449</u>	<u>-</u>
EXPENDITURES					
Current					
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture, education, and recreation	-	-	-	-	-
Conservation and development	150	2,672	93,509	150	2,920
Capital outlay	-	-	863,161	-	-
Debt Service					
Principal	530,000	485,000	211,123	45,000	-
Interest, issuance costs and fiscal charges	31,593	98,688	225,519	20,150	-
Total Expenditures	<u>561,743</u>	<u>586,360</u>	<u>1,393,312</u>	<u>65,300</u>	<u>2,920</u>
Excess (deficiency) of revenues over expenditures	<u>919,070</u>	<u>(83,100)</u>	<u>(936,576)</u>	<u>2,149</u>	<u>(2,920)</u>
OTHER FINANCING SOURCES					
Debt issued	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfers in	-	532,969	-	-	-
Transfers out	(532,969)	-	-	-	-
Total Other Financing Sources	<u>(532,969)</u>	<u>532,969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	386,101	449,869	(936,576)	2,149	(2,920)
FUND BALANCES (DEFICIT) -					
Beginning of Year	<u>742,058</u>	<u>1,260,581</u>	<u>4,598,466</u>	<u>(16,943)</u>	<u>(39,622)</u>
END OF YEAR	<u>\$ 1,128,159</u>	<u>\$ 1,710,450</u>	<u>\$ 3,661,890</u>	<u>\$ (14,794)</u>	<u>\$ (42,542)</u>

<u>Permanent Fund</u>	<u>Total Nonmajor Funds</u>
Library Trust	
\$ -	\$ 2,538,320
-	912,942
-	1,358
-	1,788,448
-	85,080
-	<u>526,751</u>
-	<u>5,852,899</u>
-	1,700,033
-	379,584
-	786,360
-	171,370
-	1,213,669
-	1,409,323
-	<u>407,876</u>
-	<u>6,068,215</u>
-	<u>(215,316)</u>
-	265,000
-	16,141
-	598,469
-	<u>(539,219)</u>
-	<u>340,391</u>
-	125,075
<u>18,200</u>	<u>9,358,767</u>
<u>\$ 18,200</u>	<u>\$ 9,483,842</u>