

# **CITY OF WATERTOWN**

Watertown, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

# 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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 over financial reporting relevant to the City of Watertown's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Watertown's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, Wisconsin, as of December 31, 2018 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 and other auditors 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of Watertown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Watertown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Watertown's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 19, 2019

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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, 2018. Please read it in conjunction with the City's financial statements following this section:

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### FINANCIAL HIGHLIGHTS

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- ◆ The City's total net position at the end of 2018 totaled \$137 million, which is an increase of \$3.0 million or 2.2% from 2017. Of the \$137 million in total net position, \$53.7 million was related to governmental activities and \$83.3 million was related to business-type activities.
- ◆ During the year, the City's governmental activities expenses were \$1.6 million more than the \$27.2 million generated in taxes and other revenues for the governmental programs. This is compared to 2017 when expenses exceeded revenues by \$1.0 million.
- ◆ In the City's business-type activities, revenues and capital grants contributions increased from \$12.3 million to \$12.9 million and expenses decreased from \$8.6 million to \$8.5 million. Capital contributions remained at \$0.1 million in 2018 as in 2017. Charges for services increased by \$0.5 million. Expenses remained steady in the Storm Water and Water Utilities and decreased by \$0.2 million in the Wastewater Utility.
- ◆ The total cost of the City's governmental activities programs increased \$2.1 million or 7.9% to \$28.7 million.
- ◆ The combined fund balance of the governmental funds decreased slightly to \$16.3 million, a difference of \$35,169 from the prior year.
- ◆ Capital assets for the City decreased \$2.3 million from \$168.3 million in 2017. Governmental activities saw a decrease of \$1.0 million and the business-type activities decreased \$1.3 million due to depreciation.
- ◆ General obligation debt for governmental activities decreased from \$38.3 million to \$37.3 million. The City issued \$4.1 million in new general obligation debt. Revenue debt of business-type activities decreased from \$23.4 million to \$21.4 million.

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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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, 2018

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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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, 2018

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### 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.

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### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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**Net Position.** The City's combined net position was \$137.0 million. The majority of the net position, \$83.3 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 \$53.7 million.

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
Current and other assets	\$ 33.0	\$ 35.7	\$ 13.0	\$ 15.7	\$ 46.0	\$ 51.4	11.7%
Capital Assets	<u>76.2</u>	<u>75.2</u>	<u>92.0</u>	<u>90.8</u>	<u>168.2</u>	<u>166.0</u>	(1.3)%
<b>Total assets</b>	<b>109.2</b>	<b>110.9</b>	<b>105.0</b>	<b>106.5</b>	<b>214.2</b>	<b>217.4</b>	<b>1.5%</b>
Pension related amounts	4.7	4.2	0.6	0.5	5.3	4.7	(11.3)%
Unamortized loss on advance refunding	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	0.0%
<b>Total deferred outflows of resources</b>	<b>4.7</b>	<b>4.2</b>	<b>0.7</b>	<b>0.6</b>	<b>5.4</b>	<b>4.8</b>	<b>(11.1)%</b>
Long-term debt outstanding	35.4	33.8	22.4	19.9	57.8	53.7	(7.1)%
Other liabilities	<u>7.3</u>	<u>7.6</u>	<u>3.3</u>	<u>3.4</u>	<u>10.6</u>	<u>11.0</u>	3.8%
<b>Total liabilities</b>	<b>42.7</b>	<b>41.4</b>	<b>25.7</b>	<b>23.3</b>	<b>68.4</b>	<b>64.7</b>	<b>(5.4)%</b>
Pension Related amounts	1.9	4.5	0.3	0.5	2.2	5.0	127.3%
Unearned revenues	<u>15.1</u>	<u>15.4</u>	<u>-</u>	<u>-</u>	<u>15.1</u>	<u>15.4</u>	2.0%
<b>Total deferred inflows of resources</b>	<b>17.0</b>	<b>19.9</b>	<b>0.3</b>	<b>0.5</b>	<b>17.3</b>	<b>20.4</b>	<b>7.9%</b>
Net Position							
Net investment in capital assets	43.2	43.6	67.5	68.5	108.9	110.6	1.6%
Restricted	8.8	9.5	4.6	5.4	13.4	15.0	12.0%
Unrestricted	<u>2.3</u>	<u>0.6</u>	<u>7.6</u>	<u>9.3</u>	<u>11.7</u>	<u>11.4</u>	(2.6)%
<b>Total net position-end of year</b>	<b>\$ 54.3</b>	<b>\$ 53.7</b>	<b>\$ 79.7</b>	<b>\$ 83.2</b>	<b>\$ 134.0</b>	<b>\$ 137.0</b>	<b>2.2%</b>

Net position of the City's governmental activities decreased \$0.5 million during 2018 bringing the total to \$53.7 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 \$0.6 million surplus at year-end.

The net position of the City's business-type activities increased \$3.5 million. The unrestricted position increased by \$1.7 million from \$7.6 to \$9.3 million. The Wastewater utility saw the largest net position increase at \$1.8 million with the Water utility increasing \$1.2 million and the storm water utility increasing \$0.5 million.

**Changes in net position.** The City's 2018 total revenues (excluding capital contributions and transfers) increased by \$2.4 million bringing the total to \$39.4 million. Property taxes increased by \$0.6 million as did other miscellaneous revenue. Charges for services in the business-type activities increased \$0.6 million. Other revenues remained constant or experienced only slight changes. Total expenses increased by \$2.0 million or 5.5% to \$37.2 million. Governmental activities saw an increase of \$2.0 million in expenses while the business-type activities saw a slight decrease of \$0.1 million. Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.



# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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

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**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>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
<b>Revenues</b>							
Program revenues							
Charges for Services	\$ 4.1	\$ 4.2	\$12.1	\$12.6	\$ 16.2	\$ 16.8	3.7%
Capital grants and contributions	0.7	0.7	0.1	0.1	0.8	0.8	0.0%
Operating grants and contributions	2.2	2.4	-	-	2.2	2.4	9.1%
General revenues							
Property taxes	14.5	15.1	-	-	14.5	15.1	4.1%
Other taxes	0.4	0.4	-	-	0.4	0.4	0.0%
Intergovernmental	3.2	3.2	-	-	3.2	3.2	0.0%
Investment income	0.2	0.3	-	0.2	0.2	0.6	200.0%
Gain(loss) on sale of assets	-	-	-	-	0.0	0.0	0.0%
Others	<u>0.3</u>	<u>0.9</u>	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>0.9</u>	200.0%
<b>Total revenues</b>	<b>25.6</b>	<b>27.2</b>	<b>12.2</b>	<b>12.9</b>	<b>37.8</b>	<b>40.2</b>	<b>6.3%</b>
<b>Expenses</b>							
General government	2.3	2.6	-	-	2.3	2.6	13.0%
Public safety	8.3	8.2	-	-	8.3	8.2	(1.2)%
Public works	9.0	9.1	-	-	9.0	9.1	1.1%
Health and human services	0.7	0.8	-	-	0.7	0.8	14.3%
Culture, education and recreation	3.9	3.8	-	-	3.9	3.8	(2.6)%
Conservation and development	1.2	3.0	-	-	1.2	3.0	150.0%
Interest and fiscal charges	1.2	1.2	-	-	1.2	1.2	0.0%
Water	-	-	3.3	3.3	3.3	3.3	0.0%
Wastewater	-	-	4.1	3.9	4.1	3.9	(4.9)%
Storm water	<u>-</u>	<u>-</u>	<u>1.2</u>	<u>1.3</u>	<u>1.2</u>	<u>1.3</u>	8.3%
<b>Total expenses</b>	<b>26.6</b>	<b>28.7</b>	<b>8.6</b>	<b>8.5</b>	<b>35.2</b>	<b>37.2</b>	<b>5.7%</b>
Excess (Deficiency) before transfers	(1.0)	(1.5)	3.6	4.4	2.6	3.0	15.4%
Transfers	<u>0.9</u>	<u>1.0</u>	<u>(0.9)</u>	<u>(1.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>2.7</b>	<b>3.4</b>	<b>2.6</b>	<b>3.0</b>	
BEGINNING NET POSITION	\$54.4	\$54.3	77.0	79.7	\$ 131.4	\$ 134.0	
ENDING NET POSITION	\$54.3	\$53.7	\$ 79.7	\$ 83.2	\$ 134.0	\$ 137.0	2.2%

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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

**Governmental Activities.** Revenues for the City's governmental activities increased \$1.6 million or 6.25% totaling \$27.2 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. Property taxes increased by \$0.6 million or 4.1% in 2018.

Governmental activities expenses increased by \$2.1 million or 7.9% to \$28.7 million. Conservation and development saw the largest increase at \$1.8 million, followed by \$0.3 million increase for general government while other expenses remained consistent. Public safety expense includes police, fire, and building, safety and zoning. Culture, education and recreation include the library and park and recreation departments and the tourism fund. Expenses exceeded revenues by \$1.5 million prior to transfers of \$1.0 million.

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

- ◆ The cost of all *governmental* activities during 2018 was \$28.7 million.
- ◆ The net cost for these activities was \$21.4 million with \$15.1 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>2017</u>	<u>2018</u>	<u>2017-2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
General government	\$ 2.3	\$ 2.6	13.0%	\$ 1.9	\$ 2.2	15.8%
Public safety	8.3	8.2	(1.2)%	7.0	6.7	(4.3)%
Public works	9.0	9.1	1.1%	5.4	5.9	9.3%
Health and human services	0.7	0.8	14.3%	0.2	0.2	0.0%
Culture, education and recreation	3.9	3.8	(2.6)%	2.7	2.1	(22.2)%
Conservation and development	1.2	3.0	150.0%	1.2	3.0	150.0%
Other	<u>1.2</u>	<u>1.2</u>	0.0%	<u>1.2</u>	<u>1.2</u>	0.0%
<b>Total</b>	<b>\$ 26.6</b>	<b>\$ 28.7</b>	7.9%	<b>\$19.6</b>	<b>\$21.4</b>	9.2%

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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

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**Business-type Activities.** Revenues of the City's business-type activities charges for services increased from \$12.1 million to \$12.6 million. Expenses remained stable in the Water Utility and there was a decrease of \$0.2 million in the Wastewater Utility and an increase of \$0.1 million in the Storm Water Utility (Refer to Table A-4). Factors contributing to the results included:

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 2017-2018
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	
<b>Revenues</b>									
Program revenues									
Capital grants and contributions	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.0%
Charges for services	4.9	5.4	5.5	5.5	1.7	1.7	12.1	12.6	4.1%
General revenues									
Investment Income	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	100.0%
<b>Total Revenue</b>	<b>5.0</b>	<b>5.5</b>	<b>5.5</b>	<b>5.7</b>	<b>1.7</b>	<b>1.7</b>	<b>12.2</b>	<b>12.9</b>	4.9%
<b>Expenses</b>	3.3	3.3	4.1	3.9	1.2	1.3	8.6	8.5	(1.2)%
Excess (deficiency) before transfers	1.7	2.2	1.4	1.8	0.5	0.5	3.6	4.4	18.9%
Transfers	<u>(0.9)</u>	<u>(1.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.9)</u>	<u>(1.0)</u>	11.1%
<b>CHANGE IN NET POSITION</b>	0.8	1.2	1.4	1.8	0.5	0.5	2.7	3.4	25.0%
<b>BEGINNING NET POSITION</b>	26.2	27.0	36.9	38.4	13.9	14.5	77.0	79.9	
<b>ENDING NET POSITION</b>	<b>27.0</b>	<b>28.1</b>	<b>38.3</b>	<b>40.2</b>	<b>14.5</b>	<b>15.0</b>	<b>79.7</b>	<b>83.3</b>	<b>4.3%</b>

Net position of business-type activities increased \$3.5 million from the 2017 amount. The Wastewater Utility increased \$1.8 million followed by the Water Utility with \$1.2 million and Storm Water Utility with \$0.5 million. Total revenues increased from \$12.3 million to \$12.9 million or 4.9%. Charges for services increased \$0.5 million or 4.1%. Total revenues in the Water Utility increased by \$0.5 million or 10.0%. The Wastewater Utility revenues increased slightly and Storm Water Utility revenues remained unchanged. Total expenses of the business-type activities decreased by \$1.2 million.

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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#### 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 \$16.3 million, a decrease of \$35,169 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 \$4.4 million that is unassigned.

Table A-5  
City of Watertown Governmental Fund Balance

	2017	2018
Non-spendable:		
General Fund	267,018	273,034
Other Funds	18,200	32,298
Restricted:		
EMT/Act 102	6,931	3,742
Debt Fund	200,536	32,225
Other Funds	8,711,746	8,230,542
Committed:		
Capital project funds	596,663	1,260,262
Other Funds	855,719	676,014
Assigned:		
General Fund	1,261,509	1,416,195
Unassigned		
General Fund	4,538,158	4,481,054
Other Funds	<u>(101,823)</u>	<u>(85,878)</u>
<b>Total Fund Balance</b>	<b>16,354,657</b>	<b>16,319,488</b>

#### General Fund

The general fund total fund balance was \$6.2 million, which represents 37% of the final budget amount for year-end December 31, 2018. Of that amount, \$1.7 million is non-spendable or assigned. This leaves \$4.5 million or 73.5% unassigned, meaning it is available for appropriation. This amount represents 27.5% of the original general fund adopted budget expenses for the year 2018. 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 \$32,225 is restricted for future debt service.

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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

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#### 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, 2018, is \$2,249,418, all of which is committed for the completion of projects that were not fully complete by year end.

#### Other Non-Major Governmental Funds

The fund balance of all other governmental funds is \$7,863,820 out of which \$7.2 million is restricted with the remainder being either committed or non-spendable. TID #5's fund balance at \$2.4 million is the largest share of the non-major governmental funds, followed by \$2.1 million in TID #4.

#### 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.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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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 2018 final budget had anticipated using \$200,000 of fund balance to balance the budget plus included \$81,583 of carryovers from the previous year which would have caused a fund balance decrease of \$281,583. Instead, final budget to actual numbers for 2018 show a general fund balance increase of \$100,409.

Total revenues overall were higher than budgeted by \$475,565. Building permits and court fines were lower than budgeted but investment income and miscellaneous items such as a credit card rebate, insurance dividend and donations exceeded projections. Total expenditures were \$93,573 less than the final budget.

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2018, the City had invested \$166.0 million in capital assets as presented in Table A-6. The largest investment was infrastructure, including roads, bridges, airport, and sidewalks, which totaled \$49.2 million net of depreciation.

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

	Governmental Activities		Business-type Activities		Total		Total Change	
	2017	2018	2017	2018	2017	2018	2016-2017	2017-2018
Buildings & improvements	11.3	11.0	-	-	11.3	11.0	(3.4)%	(1.8)%
Equipment	7.0	7.0	-	-	7.0	7.0	(1.4)%	0.0%
Infrastructure	50.0	49.2	-	-	50.0	49.2	(0.8)%	(1.6)%
Land	7.8	7.8	1.5	1.5	9.3	9.3	(2.1)%	0.0%
Construction in progress	0.1	0.3	0.0	0.0	0.1	0.3	(97.0)%	200.0%
Water System	-	-	38.3	38.1	38.3	38.1	31.6%	(0.5)%
Wastewater System	-	-	38.8	37.7	38.8	37.7	(2.3)%	(2.8)%
Storm Water System	-	-	13.4	13.5	13.4	13.5	(2.9)%	0.7%
<b>Total</b>	<b>76.2</b>	<b>75.2</b>	<b>92.0</b>	<b>90.8</b>	<b>168.2</b>	<b>166.0</b>	<b>2.2%</b>	<b>(1.3)%</b>

The City plans to spend approximately \$3.2 million in fiscal year 2019 in the governmental funds on capital assets. Major projects include completion of a fiber optic installation project funded jointly with the Watertown School District that began in 2018, 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, 2018

### CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

#### Long-Term Debt

At year-end the City had \$38.5 million in general obligation bonds and notes outstanding, a decrease of \$1.2 million or 3.0% from the prior year as shown in Table A-7. \$2.5 million is anticipated to be borrowed in 2019 primarily for street reconstruction and other various equipment purchases with another \$615,000 to be borrowed to refinance an existing obligation.

Revenue bonds decreased \$2.0 million to \$21.4 million at year end; a decrease of 8.5% from 2017. 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	
	2017	2018	2017	2018	2017	2018	2016-2017	2017-2018
General obligation bonds (backed by the City)	38.3	37.3	1.4	1.2	39.7	38.5	(4.6)%	(3.0)%
Revenue bonds and notes (backed by specific revenues)	-	-	23.4	21.4	23.4	21.4	44.4%	(8.5)%
<b>Total</b>	<b>38.3</b>	<b>37.3</b>	<b>24.8</b>	<b>22.6</b>	<b>63.1</b>	<b>59.9</b>	<b>9.2%</b>	<b>(5.0)%</b>

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, 2018, the City's total equalized value was \$1.496 billion giving the City a legal debt capacity of \$74.8 million. At December 31, 2018, the City is currently at 50% of capacity leaving additional borrowing capacity of \$37.5 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 \$1.496 billion, increased by \$100 million over the prior year. New construction totaled \$21.7 million, a decrease over the previous year's total of \$36.9 million. A total of 36 new living units were constructed which included 28 new single family homes and four duplexes. In addition, Clasen Quality Coatings again added to their facility, Temp-Air constructed a new commercial facility as did Davita Dialysis Clinic.

# CITY OF WATERTOWN

## UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended December 31, 2018

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

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The 2019 general fund operating budget expenditures are at \$17,019,051 an increase of \$494,051 or 3.0% over the 2018 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, 2019 and anticipates using approximately \$229,000 of fund balance mainly for capital items and one-time expenses in the general fund. The 2019 Debt Fund budgeted expenditures are at \$4.9 million, up from \$4.5 million in 2018.

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. All properties were purchased or had a closing date set as of the end of 2018. The City plans closed TID #3 in 2018 and used the remaining funds in TID #3 to assist the Redevelopment Authority in purchasing the remaining properties in the area to be redeveloped and for other downtown improvements.

Sewer and storm water rates are adjusted and approved by the Public Works Commission. Storm water rates have been unchanged since December, 2015, sewer rates have been unchanged since January, 2017 and water rates have been unchanged since April, 2017.

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### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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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, 2018

	Primary Government			Component Unit
	Governmental	Business-type	Totals	
	Activities	Activities		
<b>ASSETS</b>				
Cash and investments	\$ 15,116,294	\$ 8,970,365	\$ 24,086,659	\$ 225,383
Taxes receivable	15,317,143	-	15,317,143	-
Other receivables (net)	2,221,003	1,135,135	3,356,138	223,222
Prepaid items and inventories	220,285	170,298	390,583	2,535
Other assets	-	750	750	-
Property held for resale	-	-	-	1,847,636
Internal balances	500,224	(500,224)	-	-
Restricted assets				
Cash and investments	-	5,691,363	5,691,363	-
Net pension asset	2,275,783	257,266	2,533,049	-
Capital Assets				
Construction in progress	300,314	-	300,314	-
Land	7,773,957	1,524,214	9,298,171	-
Other capital assets, net of depreciation	67,164,300	89,235,801	156,400,101	-
Total Assets	<u>110,889,303</u>	<u>106,484,968</u>	<u>217,374,271</u>	<u>2,298,776</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	4,168,537	487,063	4,655,600	-
Unamortized loss on advance refunding	-	84,240	84,240	-
Total Deferred Outflows of Resources	<u>4,168,537</u>	<u>571,303</u>	<u>4,739,840</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	1,381,462	259,910	1,641,372	8,360
Other liabilities	311,415	-	311,415	-
Liabilities Payable From Restricted Assets				
Current portion of revenue bonds	-	2,764,875	2,764,875	-
Accrued interest	-	87,613	87,613	-
Noncurrent Liabilities				
Due within one year	5,844,378	282,622	6,127,000	-
Due in more than one year	33,845,197	19,927,249	53,772,446	253,366
Total Liabilities	<u>41,382,452</u>	<u>23,322,269</u>	<u>64,704,721</u>	<u>261,726</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related amounts	4,520,887	482,052	5,002,939	-
Unearned revenues	15,426,616	-	15,426,616	1,972
Total Deferred Inflows of Resources	<u>19,947,503</u>	<u>482,052</u>	<u>20,429,555</u>	<u>1,972</u>
<b>NET POSITION</b>				
Net investment in capital assets	43,620,730	68,508,133	110,620,770	-
Restricted for				
Debt service	-	1,843,219	1,843,219	-
TID activities	4,570,033	-	4,570,033	-
Grant programs	73,428	-	73,428	-
Loan programs	1,682,027	-	1,682,027	-
Developer fees	135,220	-	135,220	-
Trust purposes	18,200	-	18,200	-
Library	758,942	-	758,942	-
Other	29,548	-	29,548	-
Pension	2,275,783	257,266	2,533,049	-
Capital asset replacement	-	3,177,722	3,177,722	-
Depreciation	-	129,731	129,731	-
Unrestricted	<u>563,974</u>	<u>9,335,879</u>	<u>11,407,946</u>	<u>2,035,078</u>
<b>TOTAL NET POSITION</b>	<u>\$ 53,727,885</u>	<u>\$ 83,251,950</u>	<u>\$ 136,979,835</u>	<u>\$ 2,035,078</u>

See accompanying notes to financial statements.

**CITY OF WATERTOWN**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018

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	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 2,642,848	\$ 357,747	\$ 5,383	\$ 60,000	\$ (2,219,718)	\$ -	\$ (2,219,718)	
Public safety	8,186,314	1,198,427	257,302	-	(6,730,585)	-	(6,730,585)	
Public works	9,072,013	1,550,541	1,591,933	55,468	(5,874,071)	-	(5,874,071)	
Health and human services	750,407	312,395	199,115	-	(238,897)	-	(238,897)	
Culture, education, and recreation	3,839,847	796,302	334,085	569,353	(2,140,107)	-	(2,140,107)	
Conservation and development	3,012,253	-	13,060	-	(2,999,193)	-	(2,999,193)	
Interest and fiscal charges	1,177,794	-	-	-	(1,177,794)	-	(1,177,794)	
<b>Total Governmental Activities</b>	<u>28,681,476</u>	<u>4,215,412</u>	<u>2,400,878</u>	<u>684,821</u>	<u>(21,380,365)</u>	<u>-</u>	<u>(21,380,365)</u>	
<b>Business-type Activities</b>								
Water	3,330,354	5,373,963	-	48,000	-	2,091,609	2,091,609	
Wastewater	3,876,324	5,514,380	-	51,200	-	1,689,256	1,689,256	
Stormwater	1,261,375	1,732,342	-	-	-	470,967	470,967	
<b>Total Business-type Activities</b>	<u>8,468,053</u>	<u>12,620,685</u>	<u>-</u>	<u>99,200</u>	<u>-</u>	<u>4,251,832</u>	<u>4,251,832</u>	
<b>Total Primary Government</b>	<u>\$ 37,149,529</u>	<u>\$ 16,836,097</u>	<u>\$ 2,400,878</u>	<u>\$ 784,021</u>	<u>(21,380,365)</u>	<u>4,251,832</u>	<u>(17,128,533)</u>	
<b>Component Unit</b>								
Redevelopment Authority	\$ 948,104	\$ 87,621	\$ 1,596,253	\$ -	-	-	-	\$ 735,770
<b>General Revenues</b>								
<b>Taxes</b>								
Property taxes, levied for general purposes					8,285,290	-	8,285,290	-
Property taxes, levied for debt service					4,268,900	-	4,268,900	-
Property taxes, tax increment					2,513,269	-	2,513,269	-
Other taxes					422,481	-	422,481	-
Intergovernmental revenues not restricted to specific programs					3,179,028	-	3,179,028	-
Investment income					344,734	216,821	561,555	-
Miscellaneous					892,485	-	892,485	-
Transfers					951,679	(951,679)	-	-
<b>Total General Revenues and Transfers</b>					<u>20,857,866</u>	<u>(734,858)</u>	<u>20,123,008</u>	<u>-</u>
<b>Change in Net Position</b>					(522,499)	3,516,974	2,994,475	735,770
NET POSITION - Beginning of Year					<u>54,250,384</u>	<u>79,734,976</u>	<u>133,985,360</u>	<u>1,299,308</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 53,727,885</u>	<u>\$ 83,251,950</u>	<u>\$ 136,979,835</u>	<u>\$ 2,035,078</u>

See accompanying notes to financial statements.

**CITY OF WATERTOWN**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2018

	General	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and investments	\$ 5,391,661	\$ 32,225	\$ 2,462,099	\$ 7,230,309	\$ 15,116,294
Receivables (net)					
Taxes	9,092,913	4,815,000	9,923	1,392,208	15,310,044
Delinquent personal property taxes	7,099	-	-	-	7,099
Pledges	-	-	-	626,276	626,276
Accounts	292,188	-	171,527	119,690	583,405
Grants	-	-	-	46,572	46,572
Special assessments	28,766	-	31,246	-	60,012
Loans	-	-	-	904,738	904,738
Due from other funds	987,485	-	-	-	987,485
Advances to other funds	59,748	-	-	-	59,748
Prepaid items	206,187	-	-	14,098	220,285
<b>TOTAL ASSETS</b>	<b>\$ 16,066,047</b>	<b>\$ 4,847,225</b>	<b>\$ 2,674,795</b>	<b>\$ 10,333,891</b>	<b>\$ 33,921,958</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 98,199	\$ -	\$ 375,865	\$ 86,669	\$ 560,733
Accrued liabilities	536,474	-	-	21,898	558,372
Due to other funds	451,455	-	-	35,806	487,261
Advances from other funds	-	-	-	59,748	59,748
Other liabilities	5,700	-	8,343	305,715	319,758
Total Liabilities	1,091,828	-	384,208	509,836	1,985,872
Deferred Inflows of Resources					
Unearned revenues	8,641,458	4,815,000	9,923	1,960,235	15,426,616
Unavailable revenues	158,736	-	31,246	-	189,982
Total Deferred Inflows of Resources	8,800,194	4,815,000	41,169	1,960,235	15,616,598
Fund Balances					
Nonspendable	273,034	-	-	32,298	305,332
Restricted	3,742	32,225	989,156	7,241,386	8,266,509
Committed	-	-	1,260,262	676,014	1,936,276
Assigned	1,416,195	-	-	-	1,416,195
Unassigned (deficit)	4,481,054	-	-	(85,878)	4,395,176
Total Fund Balances	6,174,025	32,225	2,249,418	7,863,820	16,319,488
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 16,066,047</b>	<b>\$ 4,847,225</b>	<b>\$ 2,674,795</b>	<b>\$ 10,333,891</b>	<b>\$ 33,921,958</b>

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, 2018

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Total Fund Balances - Governmental Funds	\$ 16,319,488
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.	75,238,571
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.	189,982
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	2,275,783
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	4,168,537
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(4,520,887)
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>(39,943,589)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 53,727,885</u></b>

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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>REVENUES</b>					
Taxes	\$ 8,593,675	\$ 4,268,900	\$ -	\$ 2,649,228	\$ 15,511,803
Special assessments	-	-	15,621	-	15,621
Intergovernmental	4,459,722	-	207,914	1,014,691	5,682,327
Licenses and permits	435,951	-	-	1,830	437,781
Public charges for services	1,377,768	-	37,214	1,842,276	3,257,258
Intergovernmental charges for service	227,771	-	-	-	227,771
Investment income	157,507	-	67,158	126,156	350,821
Miscellaneous	291,899	-	594,155	1,049,885	1,935,939
Total Revenues	<u>15,544,293</u>	<u>4,268,900</u>	<u>922,062</u>	<u>6,684,066</u>	<u>27,419,321</u>
<b>EXPENDITURES</b>					
Current					
General government	2,136,960	-	-	-	2,136,960
Public safety	7,627,905	-	-	-	7,627,905
Public works	3,237,312	-	-	1,900,291	5,137,603
Health and human services	395,607	-	-	377,377	772,984
Culture, education, and recreation	2,522,521	-	-	776,105	3,298,626
Conservation and development	179,152	-	-	1,076,119	1,255,271
Public service enterprises	164,000	-	-	-	164,000
Capital Outlay	96,699	-	3,802,726	2,054,397	5,953,822
Debt Service					
Principal	-	3,614,037	-	1,497,170	5,111,207
Interest, issuance costs and fiscal charges	-	952,811	-	358,385	1,311,196
Principal on capital leases	-	59,573	-	-	59,573
Interest on capital leases	-	11,987	-	-	11,987
Total Expenditures	<u>16,360,156</u>	<u>4,638,408</u>	<u>3,802,726</u>	<u>8,039,844</u>	<u>32,841,134</u>
Excess (deficiency) of revenues over expenditures	<u>(815,863)</u>	<u>(369,508)</u>	<u>(2,880,664)</u>	<u>(1,355,778)</u>	<u>(5,421,813)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	-	4,100,000	-	4,100,000
Premium on debt issued	-	216,697	-	-	216,697
Sale of assets	4,593	-	113,675	-	118,268
Transfer in - tax equivalent	951,679	-	-	-	951,679
Transfers in	300,000	-	319,744	888,469	1,508,213
Transfers out	(340,000)	(15,500)	-	(1,152,713)	(1,508,213)
Total Other Financing Sources (Uses)	<u>916,272</u>	<u>201,197</u>	<u>4,533,419</u>	<u>(264,244)</u>	<u>5,386,644</u>
<b>Net Change in Fund Balances</b>	100,409	(168,311)	1,652,755	(1,620,022)	(35,169)
FUND BALANCES - Beginning 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>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,174,025</u>	<u>\$ 32,225</u>	<u>\$ 2,249,418</u>	<u>\$ 7,863,820</u>	<u>\$ 16,319,488</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, 2018

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Net change in fund balances - total governmental funds	\$	(35,169)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		5,953,822
Some items reported as capital outlay are not capitalized		(3,505,407)
Depreciation is reported in the government-wide statements		(3,352,489)
Net book value of assets retired		(141,251)

Contributed capital assets are reported as revenues in the government-wide statements.		60,000
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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.

Special assessments		(22,785)
EMS services		17,222
Accrued Interest		(27,950)
Transit grants receivable		(52,726)
Wisconsin DNR grant receivable		(182,496)

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

Debt issued		(4,100,000)
Capital leases repaid		59,573
Principal repaid		5,111,207

Governmental funds report debt premiums as other financing sources; however, in the statement of net position, these are reported as additions to long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Debt premium		(216,697)
Amortization of premium		126,852

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

Net pension asset/liability		2,885,676
Deferred outflows of resources related to pensions		(542,255)
Deferred inflows of resources related to pensions		(2,606,297)
Compensated absences		30,133
Accrued interest on debt		18,538

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>(522,499)</b>
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See accompanying notes to financial statements.

## CITY OF WATERTOWN

### STATEMENT OF NET POSITION ENTERPRISE FUNDS As of December 31, 2018

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 3,103,678	\$ 3,465,479	\$ 1,751,207	\$ 8,320,364
Interest receivable	-	-	-	-
Restricted assets				
Redemption account	735,578	1,195,254	-	1,930,832
Accounts receivable	462,905	511,209	159,048	1,133,162
Due from other funds	193,393	217,864	50,812	462,069
Inventories	114,665	-	-	114,665
Prepaid items	20,591	23,646	11,396	55,633
Total Current Assets	4,630,810	5,413,452	1,972,463	12,016,725
<b>NONCURRENT ASSETS</b>				
Restricted Assets				
Cash and investments	582,809	3,177,722	-	3,760,531
Net pension asset	106,785	101,174	49,307	257,266
Capital Assets				
Land	210,990	648,923	664,301	1,524,214
Property and equipment	53,320,720	58,698,862	20,518,376	132,537,958
Less: Accumulated depreciation	(15,267,857)	(20,973,864)	(7,060,436)	(43,302,157)
Other Assets				
Cash and investments	-	650,001	-	650,001
Nonutility property	750	-	-	750
Special assessments	-	1,973	-	1,973
Total Noncurrent Assets	38,954,197	42,304,791	14,171,548	95,430,536
Total Assets	43,585,007	47,718,243	16,144,011	107,447,261
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on advance refunding	55,598	-	28,642	84,240
Deferred outflows related to pension	201,799	187,235	98,029	487,063
Total Deferred Outflows of Resources	257,397	187,235	126,671	571,303

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 73,581	\$ 124,422	\$ 12,162	\$ 210,165
Compensated absences	17,279	25,343	-	42,622
Accrued wages	20,627	22,685	3,724	47,036
Accrued interest	86	39	2,584	2,709
Due to other funds	962,293	-	-	962,293
Current portion of general obligation debt	5,000	5,000	230,000	240,000
Liabilities Payable From Restricted Assets				
Current portion of revenue bonds	1,021,938	1,742,937	-	2,764,875
Accrued interest	54,281	33,332	-	87,613
Total Current Liabilities	<u>2,155,085</u>	<u>1,953,758</u>	<u>248,470</u>	<u>4,357,313</u>
<b>NONCURRENT LIABILITIES</b>				
Long-Term Debt				
Revenue bonds	13,142,484	5,521,705	-	18,664,189
General obligation debt	40,000	35,000	875,000	950,000
Unamortized debt premium	209,243	-	45,893	255,136
Other Liabilities				
Compensated absences	33,845	24,079	-	57,924
Total Noncurrent Liabilities	<u>13,425,572</u>	<u>5,580,784</u>	<u>920,893</u>	<u>19,927,249</u>
Total Liabilities	<u>15,580,657</u>	<u>7,534,542</u>	<u>1,169,363</u>	<u>24,284,562</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	<u>192,266</u>	<u>200,702</u>	<u>89,084</u>	<u>482,052</u>
<b>NET POSITION</b>				
Net investment in capital assets	24,398,864	31,109,279	12,999,990	68,508,133
Restricted for debt service	681,297	1,161,922	-	1,843,219
Restricted for capital asset replacement	-	3,177,722	-	3,177,722
Restricted for depreciation	129,731	-	-	129,731
Restricted for pension	106,785	101,174	49,307	257,266
Unrestricted	<u>2,752,804</u>	<u>4,620,137</u>	<u>1,962,938</u>	<u>9,335,879</u>
<b>TOTAL NET POSITION</b>	<u>\$ 28,069,481</u>	<u>\$ 40,170,234</u>	<u>\$ 15,012,235</u>	<u>\$ 83,251,950</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, 2018

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,373,963	\$ 5,514,380	\$ 1,732,342	\$ 12,620,685
Total Operating Revenues	5,373,963	5,514,380	1,732,342	12,620,685
<b>OPERATING EXPENSES</b>				
Operation and maintenance	1,698,064	2,041,556	713,192	4,452,812
Depreciation	1,310,258	1,617,850	518,486	3,446,594
Total Operating Expenses	3,008,322	3,659,406	1,231,678	7,899,406
Operating Income	2,365,641	1,854,974	500,664	4,721,279
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	64,576	119,974	32,271	216,821
Amortization of premium	13,054	-	-	13,054
Loss on retirement of assets	(9,331)	-	-	(9,331)
Interest expense	(325,755)	(216,918)	(29,697)	(572,370)
Total Nonoperating Revenues (Expenses)	(257,456)	(96,944)	2,574	(351,826)
Income Before Contributions and Transfers	2,108,185	1,758,030	503,238	4,369,453
<b>CAPITAL CONTRIBUTIONS</b>	48,000	51,200	-	99,200
<b>TRANSFERS - TAX EQUIVALENT</b>	(951,679)	-	-	(951,679)
<b>Change in Net Position</b>	1,204,506	1,809,230	503,238	3,516,974
NET POSITION - Beginning of Year	26,864,975	38,361,004	14,508,997	79,734,976
<b>NET POSITION - END OF YEAR</b>	\$28,069,481	\$40,170,234	\$15,012,235	\$83,251,950

See accompanying notes to financial statements.

**CITY OF WATERTOWN**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
For the Year Ended December 31, 2018

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from customers	\$ 5,377,229	\$ 5,507,161	\$ 1,738,966	\$ 12,623,356
Paid to suppliers for goods and services	(1,202,724)	(1,474,388)	(440,242)	(3,117,354)
Paid to employees for services	(510,025)	(515,088)	(271,691)	(1,296,804)
Net Cash Flows From Operating Activities	<u>3,664,480</u>	<u>3,517,685</u>	<u>1,027,033</u>	<u>8,209,198</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to city for tax equivalent	(868,064)	-	-	(868,064)
Net Cash Flows From Noncapital Financing Activities	<u>(868,064)</u>	<u>-</u>	<u>-</u>	<u>(868,064)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt retired	(983,077)	(1,701,290)	(230,000)	(2,914,367)
Interest paid	(330,655)	(224,823)	(34,590)	(590,068)
Proceeds from debt issue	676,669	-	-	676,669
Acquisition and construction of capital assets	(1,262,612)	(498,434)	(520,664)	(2,281,710)
Capital contributions received	48,000	51,200	-	99,200
Net Cash Flows From Capital and Related Financing Activities	<u>(1,851,675)</u>	<u>(2,373,347)</u>	<u>(785,254)</u>	<u>(5,010,276)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments purchased	(1,380,144)	(798,380)	-	(2,178,524)
Investments sold and matured	378,579	793,233	-	1,171,812
Investment income	65,353	126,403	32,271	224,027
Net Cash Flows From Investing Activities	<u>(936,212)</u>	<u>121,256</u>	<u>32,271</u>	<u>(782,685)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	8,529	1,265,594	274,050	1,548,173
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,025,029</u>	<u>5,202,876</u>	<u>1,477,157</u>	<u>9,705,062</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 3,033,558</u>	<u>\$ 6,468,470</u>	<u>\$ 1,751,207</u>	<u>\$ 11,253,235</u>

	Water Utility	Wastewater Utility	Stormwater Utility	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 2,365,641	\$ 1,854,974	\$ 500,664	\$ 4,721,279
Nonoperating income	-	-	-	-
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation expense	1,310,258	1,617,850	518,486	3,446,594
Depreciation charged to other funds	55,384	-	-	55,384
Changes in assets, deferred outflows, liabilities and deferred inflows				
Accounts receivable	(36,390)	(29,282)	1,617	(64,055)
Due from other funds	(15,728)	22,118	5,007	11,397
Inventories	2,804	-	-	2,804
Prepaid items	37	6,231	(3,537)	2,731
Due to other funds	(18,931)	-	-	(18,931)
Accounts payable	(16,950)	38,319	3,598	24,967
Compensated absences	1,329	(4,620)	-	(3,291)
Other current liabilities	2,367	4,215	225	6,807
Pension related deferrals and liabilities	14,659	7,880	973	23,512
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 3,664,480</u></b>	<b><u>\$ 3,517,685</u></b>	<b><u>\$ 1,027,033</u></b>	<b><u>\$ 8,209,198</u></b>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Amortization of debt premium	<u>\$ (13,054)</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>				
Cash and investments	\$ 3,103,678	\$ 3,465,479	\$ 1,751,207	\$ 8,320,364
Restricted cash and investments - current	735,578	1,195,254	-	1,930,832
Restricted cash and investments - noncurrent	582,809	3,177,722	-	3,760,531
Other assets - cash and investments	-	650,001	-	650,001
Total Cash and Investments	4,422,065	8,488,456	1,751,207	14,661,728
Less: Noncash equivalents	<u>(1,388,507)</u>	<u>(2,019,986)</u>	<u>-</u>	<u>(3,408,493)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 3,033,558</u></b>	<b><u>\$ 6,468,470</u></b>	<b><u>\$ 1,751,207</u></b>	<b><u>\$ 11,253,235</u></b>

See accompanying notes to financial statements.

**CITY OF WATERTOWN**

STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
As of December 31, 2018

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	Tax Collection Fund
<b>ASSETS</b>	
Cash and investments	\$ 15,140,924
Taxes receivable	<u>5,425,740</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 20,566,664</u></b>
<b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 20,566,664</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 20,566,664</u></b>

See accompanying notes to financial statements.

# CITY OF WATERTOWN

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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, 2018

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

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### 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, 2018. 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, 2018

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

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#### ***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, 2018

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

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### ***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, 2018

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

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

##### *Government-Wide Financial Statements*

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water, wastewater, stormwater 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, 2018

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

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#### ***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.
- 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, 2018

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

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#### ***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, 2018, 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, 2018, the fair value of the Foundation's assets was substantially equal to the city's share as reported in Note IV. A.

See Note IV. A. for further information.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

##### **2. Receivables**

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

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	April 30, 2019
Third installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2021

Accounts receivable have been shown net of an allowance for uncollectible accounts for EMS service of \$341,803. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and wastewater utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$83,000.

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, 2018

---

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

---

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

##### ***3. Inventories and Prepaid Items***

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

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

##### ***4. Restricted Assets***

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

##### ***5. Capital Assets***

###### ***Government-Wide Statements***

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

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

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### ***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, 2018

---

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

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

##### ***7. Compensated Absences (cont.)***

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2018, 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 \$100,000, made up of one issue.

##### ***9. Deferred Inflows of Resources***

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



# CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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### *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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 43,620,730	\$ 68,508,133	\$ (1,508,093)	\$ 110,620,770
Unrestricted	563,974	9,335,879	1,508,093	11,407,946

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, 2018

---

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

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#### ***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 \$4,481,054 or 27% of 2018 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, 2018

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## 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.

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

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### ***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	\$	60,012
EMS accounts receivable		<u>129,970</u>
Combined Adjustment for Unavailable Revenue	\$	<u><u>189,982</u></u>

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### **NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)**

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	\$	37,292,441
Compensated absences		1,108,963
Capital leases		196,011
Accrued interest		254,014
Premium on debt		<u>1,092,160</u>
 Combined Adjustment for Long-Term Liabilities	 \$	 <u><u>39,943,589</u></u>

### **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	\$ 4,542,419	\$ 4,653,908	\$ 111,489
TID No. 3 capital projects fund	1,099,419	2,614,711	1,515,292
TID No. 7 capital projects fund	19,475	39,323	19,848
Transit system fund	789,659	820,273	30,614
Tourism fund	119,750	123,922	4,172

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.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### ***B. DEFICIT BALANCES***

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

As of December 31, 2018, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Transit system fund	\$ 9,593	Grant revenue is unavailable
TID No. 6 capital projects fund	16,537	Excess of expenditures over revenues
TID No. 7 capital projects fund	59,748	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.

#### ***C. LIMITATIONS ON THE CITY'S TAX LEVY***

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

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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	\$ 3,175,812	\$ 3,848,777	Custodial credit
U.S. agencies - implicitly guaranteed	3,960,320	3,960,320	Credit, Custodial credit, Concentration of credit, interest rate
Mutual funds - bond funds	268,700	268,700	Custodial credit, Interest rate
LGIP	29,637,171	29,637,171	Credit
Watertown Area Community Foundation	15,415	15,415	Interest rate, credit
Certificates of deposit (negotiable)	6,458,019	6,458,019	Credit, Custodial credit, Concentration of credit, interest rate
Cash on hand	1,400,494	-	N/A
Petty cash	3,015	-	N/A
 Total Deposits and Investments	 \$ 44,918,946	 \$ 44,188,402	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 24,086,659		
Restricted cash and investments	5,691,363		
Per statement of assets and liabilities - agency fund			
Cash and investments	15,140,924		
 Total Deposits and Investments	 \$ 44,918,946		

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).

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

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, 2018, the banks had pledged various government securities in the amount of \$5,640,466 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, 2018			
	Level 1	Level 2	Level 3	Total
U.S. agencies - implicitly guaranteed	\$ -	\$ 3,960,320	\$ -	\$ 3,960,320
Certificates of deposits (negotiable)	-	6,458,019	-	6,458,019
Total	\$ -	\$ 10,418,339	\$ -	\$ 10,418,339

#### ***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.

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

##### **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.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Credit Risk** (cont.)

As of December 31, 2018, the city's investments were rated as follows:

Investment Type	Amount	Standard & Poors	Moody's Investors Services	Not Rated
U.S agencies - implicitly guaranteed	\$ 3,960,320	AA+	Aaa	
Certificates of deposits (negotiable)	249,683	A-2		
Certificates of deposits (negotiable)	54,578	A-2		
Certificates of deposits (negotiable)	497,945	A-1		
Certificates of deposits (negotiable)	249,270	A-2		
Certificates of deposits (negotiable)	<u>5,406,543</u>			Not rated
<b>Total</b>	<b><u>\$ 10,418,339</u></b>			

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

Local Government Investment Pool  
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, 2018, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	1-5
U.S. agencies implicitly guaranteed	\$ 3,960,320	\$ 577,113	\$ 3,383,207
Certificates of deposits (negotiable)	6,458,019	4,405,740	2,052,279
Mutual funds (bonds)	<u>268,700</u>	<u>268,700</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 10,687,039</u></b>	<b><u>\$ 5,251,553</u></b>	<b><u>\$ 5,435,486</u></b>

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



# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

#### **B. RECEIVABLES**

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

	2018
Library expansion	\$ 661,442
Less: Discount	(35,166)
Net Contributions Receivable	\$ 626,276
Less than one year	\$ 288,586
One to five years	372,856
More than 5 years	-
	\$ 661,442

All other receivables, except \$35,865 in general fund and \$904,738 in nonmajor funds, are expected to be collected within one year.

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	\$ 14,800,340	\$ -
Special assessments receivable	-	60,012
Library pledges	626,276	-
EMS accounts receivable not available	-	129,970
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 15,426,616	\$ 189,982

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, 2018, 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.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### **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.

##### ***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.

##### ***Net Pension Asset***

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Following is a list of restricted assets at December 31, 2018:

Restricted Assets	
Redemption account	\$ 1,930,832
Reserve account	453,078
Depreciation account	129,731
Replacement account	3,177,722
Pension asset	<u>2,533,049</u>
Total Restricted Assets	<u>\$ 8,224,412</u>

## CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

#### D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 7,801,749	\$ 89,246	\$ 117,038	\$ 7,773,957
Construction in progress	<u>87,422</u>	<u>300,314</u>	<u>87,422</u>	<u>300,314</u>
Total Capital Assets Not Being Depreciated	<u>7,889,171</u>	<u>389,560</u>	<u>204,460</u>	<u>8,074,271</u>
Capital assets being depreciated				
Land improvements	3,608,192	178,756	27,000	3,759,948
Buildings	19,400,874	61,041	-	19,461,915
Machinery and equipment	13,020,794	742,893	799,820	12,963,867
Roads	75,992,985	427,504	337,662	76,082,827
Bridges	7,916,338	624,390	93,942	8,446,786
Sidewalks	2,818,134	171,693	7,424	2,982,403
Dams	2,057,689	-	-	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>129,615,304</u>	<u>2,206,277</u>	<u>1,265,848</u>	<u>130,555,733</u>
Total Capital Assets	<u>137,504,475</u>	<u>2,595,837</u>	<u>1,470,308</u>	<u>138,630,004</u>
Less: Accumulated depreciation for				
Land improvements	(1,500,552)	(101,469)	27,000	(1,575,021)
Buildings	(10,202,247)	(476,682)	-	(10,678,929)
Machinery and equipment	(5,966,440)	(808,791)	799,820	(5,975,411)
Roads	(36,692,326)	(1,771,926)	327,754	(38,136,498)
Bridges	(1,827,121)	(100,278)	80,419	(1,846,980)
Sidewalks	(1,057,078)	(41,884)	6,642	(1,092,320)
Dams	(132,322)	(34,196)	-	(166,518)
Airport	(3,822,988)	(6,072)	-	(3,829,060)
Rail spur	<u>(79,505)</u>	<u>(11,191)</u>	<u>-</u>	<u>(90,696)</u>
Total Accumulated Depreciation	<u>(61,280,579)</u>	<u>(3,352,489)</u>	<u>1,241,635</u>	<u>(63,391,433)</u>
Net Capital Assets Being Depreciated	<u>68,334,725</u>	<u>(1,146,212)</u>	<u>24,213</u>	<u>67,164,300</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 76,223,896</u>	<u>\$ (756,652)</u>	<u>\$ 228,673</u>	<u>\$ 75,238,571</u>

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

#### D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

#### Governmental Activities

General government	\$ 213,441
Public safety	319,718
Public works	2,535,043
Culture, recreation, education	266,567
Health and human services	<u>17,720</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 3,352,489</u></u>

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,524,214	\$ -	\$ -	\$ 1,524,214
Total Capital Assets Not Being depreciated	<u>1,524,214</u>	<u>-</u>	<u>-</u>	<u>1,524,214</u>
Capital assets being depreciated				
Water system	52,329,446	1,156,029	164,755	53,320,720
Wastewater system	58,238,539	549,493	89,170	58,698,862
Stormwater system	<u>20,123,043</u>	<u>524,379</u>	<u>129,046</u>	<u>20,518,376</u>
Total Capital Assets Being Depreciated	<u>130,691,028</u>	<u>2,229,901</u>	<u>382,971</u>	<u>132,537,958</u>
Total Capital Assets	<u>132,215,242</u>	<u>2,229,901</u>	<u>382,971</u>	<u>134,062,172</u>
Less: Accumulated depreciation for				
Water system	(14,058,529)	(1,374,083)	164,755	(15,267,857)
Wastewater system	(19,445,184)	(1,617,850)	89,170	(20,973,864)
Stormwater system	<u>(6,670,996)</u>	<u>(518,486)</u>	<u>129,046</u>	<u>(7,060,436)</u>
Total Accumulated Depreciation	<u>(40,174,709)</u>	<u>(3,510,419)</u>	<u>382,971</u>	<u>(43,302,157)</u>
Net Capital Assets Being Depreciated	<u>90,516,319</u>	<u>(1,280,518)</u>	<u>-</u>	<u>89,235,801</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 92,040,533</u></u>	<u><u>\$(1,280,518)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 90,760,015</u></u>

**CITY OF WATERTOWN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Water	\$ 1,310,258
Sewer	1,617,850
Storm	<u>518,486</u>

Total Business-type Activities Depreciation Expense	<u><u>\$ 3,446,594</u></u>
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Depreciation expense is different from business-type activity accumulated depreciation additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

**E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

**Interfund Receivables/Payables**

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

Receivable Fund	Payable Fund	Amount
General fund	Water utility	\$ 951,679
General fund	TID No. 6	16,537
General fund	Transit	19,269
Water utility	General fund	193,393
Wastewater utility	General fund	207,250
Stormwater utility	General fund	50,812
Wastewater utility	Water Utility	<u>10,614</u>
Total - Fund Financial Statements		1,449,554
Less: Fund eliminations		<u>(949,330)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 500,224</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 951,679
Business-type Activities	Governmental Activities	<u>(451,455)</u>
Total Government-Wide Financial Statements		<u><u>\$ 500,224</u></u>

All amounts are due within one year.

**CITY OF WATERTOWN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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

***Interfund Receivables/Payables (cont.)***

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

***Advances***

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 7	\$ 59,748	\$ 59,748
Total - Fund Financial Statements		59,748	
Less: Fund eliminations		<u>(59,748)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u><u>\$ -</u></u>	

The principal purpose of these advances is to fund debt payments.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

##### **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
TID No. 5	General fund	300,000	Fund operations
General fund	Water utility	951,679	Tax equivalent
Transit system	General fund	40,000	Fund operations
Library trust	Debt service	15,500	Library costs
Capital project	TID No. 3	319,744	Refund from close out of TID
General fund	TID No. 3	<u>300,000</u>	Refund from close out of TID
Sub-Total		2,459,892	
Less: Fund eliminations		<u>(1,508,213)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 951,679</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.

#### **F. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 38,303,648	\$ 4,100,000	\$ 5,111,207	\$ 37,292,441	\$ 5,052,171
Premiums	1,002,315	216,697	126,852	1,092,160	-
Sub-totals	<u>39,305,963</u>	<u>4,316,697</u>	<u>5,238,059</u>	<u>38,384,601</u>	<u>5,052,171</u>
Other Liabilities					
Accumulated vacation	718,377	729,840	718,377	729,840	729,840
Vested sick leave	420,719	-	41,596	379,123	-
Capital leases	255,584	-	59,573	196,011	62,367
Net pension liability	609,893	-	609,893	-	-
Total Other Liabilities	<u>2,004,573</u>	<u>729,840</u>	<u>1,429,439</u>	<u>1,304,974</u>	<u>792,207</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 41,310,536</u>	<u>\$ 5,046,537</u>	<u>\$ 6,667,498</u>	<u>\$ 39,689,575</u>	<u>\$ 5,844,378</u>

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

#### F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 1,430,000	\$ -	\$ 240,000	\$ 1,190,000	\$ 240,000
Revenue bonds	23,426,762	676,669	2,674,367	21,429,064	2,764,875
Premiums	<u>283,834</u>	<u>-</u>	<u>28,698</u>	<u>255,136</u>	<u>-</u>
Sub-totals	<u>25,140,596</u>	<u>676,669</u>	<u>2,943,065</u>	<u>22,874,200</u>	<u>3,004,875</u>
Other Liabilities					
Vested compensated absences	99,961	100,546	99,961	100,546	42,622
Net pension liability	<u>77,518</u>	<u>-</u>	<u>77,518</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>177,479</u>	<u>100,546</u>	<u>177,479</u>	<u>100,546</u>	<u>42,622</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 25,318,075</u>	<u>\$ 777,215</u>	<u>\$ 3,120,544</u>	<u>\$ 22,974,746</u>	<u>\$ 3,047,497</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, 2018, was \$74,820,590. Total general obligation debt outstanding at year end was \$38,482,441.



# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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, 2018
Promissory notes	6/23/09	2019	2.50 - 4.00%	\$ 7,165,000	\$ 335,000
Refunding bonds	7/21/10	2021	2.00 - 3.50%	4,395,000	1,540,000
Bonds	8/3/10	2030	2.95 - 4.00%	1,305,000	1,155,000
Promissory notes	8/3/10	2020	1.50 - 2.90%	1,125,000	255,000
State trust fund loan	3/16/10	2030	5.50%	2,500,000	1,802,908
State trust fund loan	3/16/10	2030	5.50%	1,000,000	721,163
State trust fund loan	9/21/10	2030	5.25%	825,000	623,458
Promissory notes	3/10/11	2020	2.00 - 3.40%	1,420,000	460,000
Refunding bonds	3/16/11	2026	2.00 - 4.25%	1,100,000	395,000
Bonds	3/23/12	2021	2.00 - 3.00%	1,805,000	885,000
Refunding bonds	8/28/12	2021	2.00 - 1.75%	1,850,000	575,000
Refunding bonds	2/26/13	2025	2.00 - 2.50%	7,625,000	4,210,000
Promissory notes	2/26/13	2022	2.00%	1,560,000	730,000
Promissory notes	3/19/14	2023	2.00 - 3.00%	3,300,000	1,905,000
Promissory notes	3/10/15	2024	2.00 - 3.00%	4,080,000	3,850,000
Refunding bonds	3/10/15	2027	2.00 - 4.00%	710,000	570,000
State trust fund loan	5/5/15	2020	3%	168,000	69,912
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	7,240,000
Promissory notes	3/1/17	2026	2.00-4.00%	3,000,000	2,650,000
Refunding bonds	3/1/17	2023	1.50-2.70%	710,000	620,000
Promissory notes	2/27/18	2027	3.00 - 4.00%	4,100,000	<u>4,100,000</u>

Total Governmental Activities - General Obligation Debt \$ 37,292,441

#### **Business-type Activities**

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2018
Refunding Bonds	2/23/16	2028	3%	\$ 1,240,000	\$ 1,105,000
Refunding bonds	3/1/17	2023	1.50-2.70%	95,000	<u>85,000</u>

Total Business-type Activities - General Obligation Debt \$ 1,190,000

**CITY OF WATERTOWN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2019	\$ 5,052,171	\$ 1,108,637	\$ 240,000	\$ 30,580
2020	5,338,263	976,626	255,000	24,450
2021	5,304,285	822,232	270,000	16,720
2022	4,500,964	670,948	280,000	8,515
2023	4,313,280	529,451	145,000	2,145
2024-2028	11,845,426	1,091,664	-	-
2029-2030	938,052	66,218	-	-
Totals	<u>\$ 37,292,441</u>	<u>\$ 5,265,776</u>	<u>\$ 1,190,000</u>	<u>\$ 82,410</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 23.00% of net revenues. The total principal and interest remaining to be paid on the bonds is \$16,692,582. Principal and interest paid for the current year and total customer net revenues were \$1,294,614 and \$3,788,475, respectively.

The wastewater utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2003. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from wastewater revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 53% of net revenues. The total principal and interest remaining to be paid on the bonds is \$7,670,970. Principal and interest paid for the current year and total customer net revenues were \$1,919,390 and \$3,643,998, respectively.

**CITY OF WATERTOWN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**F. LONG-TERM OBLIGATIONS (cont.)**

**Revenue Debt (cont.)**

Revenue debt payable at December 31, 2018, 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, 2018</u>
<u>Water Utility</u>					
Revenue bonds	4/23/12	2032	2.00 - 3.50%	\$ 5,880,000	\$ 3,220,000
Revenue bonds	3/1/17	2027	2.00 - 3.00%	945,000	860,000
Revenue bonds	3/1/17	2037	1.87%	10,502,499	<u>10,084,422</u>
				Total Water Utility	<u>14,164,422</u>
<u>Wastewater Utility</u>					
Revenue bonds	1/8/03	2022	2.750%	24,875,636	<u>7,264,642</u>
				Total Wastewater Utility	<u>7,264,642</u>
				Total Business-type Activities - Revenue Debt	<u><u>\$ 21,429,064</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,764,875	\$ 489,174
2020	2,841,163	412,974
2021	2,918,926	332,053
2022	3,003,203	249,060
2023	671,318	199,035
2024-2028	3,500,013	764,489
2029-2033	3,302,039	395,862
2034-2037	<u>2,427,527</u>	<u>91,841</u>
Totals	<u><u>\$ 21,429,064</u></u>	<u><u>\$ 2,934,488</u></u>

**Capital Leases**

Refer to Note IV. G.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### *Other Debt Information*

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

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

#### *G. LEASE DISCLOSURES*

##### *Lessee - Capital Leases*

The city acquired a fire truck through a capital lease.

The future minimum lease obligations as of December 31, 2018, are as follows:

<u>Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 62,367	\$ 9,193	\$ 71,560
2020	65,292	6,268	71,560
2021	<u>68,352</u>	<u>3,206</u>	<u>71,558</u>
Totals	<u>\$ 196,011</u>	<u>\$ 18,667</u>	<u>\$ 214,678</u>

# CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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### *H. NET POSITION/FUND BALANCES*

Net position reported on the government wide statement of net position at December 31, 2018, includes the following:

#### *Governmental Activities*

Net Investment in Capital Assets	
Land	\$ 7,773,957
Construction in progress	300,314
Other capital assets, net of accumulated depreciation	67,164,300
Less: Long-term debt outstanding	(37,488,452)
Plus: Unspent capital related debt proceeds	989,156
Plus: Noncapital debt proceeds	5,973,615
Plus: Unamortized debt premiums	<u>(1,092,160)</u>
Total Net Investment in Capital Assets	<u><u>\$ 43,620,730</u></u>

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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, 2018, include the following:

	General	Debt Service	General Capital Projects	Nonmajor Funds	Totals
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Delinquent personal property taxes	\$ 7,099	\$ -	\$ -	\$ -	\$ 7,099
Prepaid items	206,187	-	-	14,098	220,285
Advances to other funds	59,748	-	-	-	59,748
Permanent trust	-	-	-	18,200	18,200
Sub-total	<u>273,034</u>	<u>-</u>	<u>-</u>	<u>32,298</u>	<u>305,332</u>
<b>Restricted for:</b>					
Capital projects	-	-	989,156	-	989,156
Debt service	-	32,225	-	-	32,225
TID activities	-	-	-	4,570,033	4,570,033
Library	-	-	-	758,942	758,942
Grant/loan programs	-	-	-	1,727,355	1,727,355
Emergency management training	3,742	-	-	-	3,742
Developer parks	-	-	-	135,220	135,220
Tourism	-	-	-	22,617	22,617
Health program activities	-	-	-	27,219	27,219
Sub-total	<u>3,742</u>	<u>32,225</u>	<u>989,156</u>	<u>7,241,386</u>	<u>8,266,509</u>
<b>Committed to:</b>					
General capital projects	-	-	1,260,262	-	1,260,262
Riverfest operations	-	-	-	68,802	68,802
Environmental health	-	-	-	440,143	440,143
Refuse collection and recycling	-	-	-	167,069	167,069
Sub-total	<u>-</u>	<u>-</u>	<u>1,260,262</u>	<u>676,014</u>	<u>1,936,276</u>
<b>Assigned to:</b>					
Water utility tax equivalent	951,679	-	-	-	951,679
Carryovers	66,878	-	-	-	66,878
Subsequent year's budget	229,291	-	-	-	229,291
General reserve projects	168,347	-	-	-	168,347
Sub-total	<u>1,416,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,416,195</u>
<b>Unassigned (deficit):</b>	<u>4,481,054</u>	<u>-</u>	<u>-</u>	<u>(85,878)</u>	<u>4,395,176</u>
<b>Total Fund Balances</b>	<u>\$ 6,174,025</u>	<u>\$ 32,225</u>	<u>\$ 2,249,418</u>	<u>\$ 7,863,820</u>	<u>\$ 16,319,488</u>

**CITY OF WATERTOWN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**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	89,235,801
Less: Long-term capital related debt outstanding	(22,534,064)
Plus: Unspent capital related debt proceeds	453,078
Less: Unamortized debt premium	(255,136)
Plus: Unamortized loss on advance refunding	<u>84,240</u>
 Total Net Investment in Capital Assets	 <u><u>\$ 68,508,133</u></u>

**I. COMPONENT UNIT**

***CITY OF WATERTOWN REDEVELOPMENT AUTHORITY***

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
Deposits	<u><u>\$ 225,383</u></u>	<u><u>\$ 242,560</u></u>	Custodial credit risk

# CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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### I. COMPONENT UNIT (cont.)

#### **CITY OF WATERTOWN REDEVELOPMENT AUTHORITY (cont.)**

##### b. Deposits and Investments (cont.)

##### **Custodial Credit Risk**

#### **Deposits**

##### 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, 2018 was \$253,366, 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.

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## NOTE V - OTHER INFORMATION

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### **A. EMPLOYEES' RETIREMENT SYSTEM**

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

**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.



# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### NOTE V - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before December 31, 2016) 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.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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)
2017	2.0	4.0

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### NOTE V - OTHER INFORMATION (cont.)

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#### 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 \$886,778 in contributions from the city.

Contribution rates for the plan year reported as of December 31, 2018 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 (asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2018, the city reported an asset of \$2,533,049 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the city's proportion was 0.08531319%, which was an increase of 0.00191371% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the city recognized pension expense of \$1,179,087.

**CITY OF WATERTOWN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**NOTE V - OTHER INFORMATION** (cont.)

**A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

At December 31, 2018, the city reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,218,303	\$ 1,505,415
Changes in assumptions	500,481	-
Net differences between projected and actual earnings on pension plan investments	-	3,481,441
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,543	16,083
Employer contributions subsequent to the measurement date	917,273	-
Totals	\$ 4,655,600	\$ 5,002,939

\$917,273 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, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2019	\$ 282,007
2020	(19,858)
2021	(872,593)
2022	(660,224)
2023	6,056

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	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

**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 3.31%. 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.

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### NOTE V - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**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 asset calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension 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)	\$6,553,864	\$(2,533,049)	\$(9,439,386)

**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, 2018, 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 2018 was \$12,955. The estimated liability for future payments based on current pension payment amounts and actuarial table mortality rates for covered individuals is insignificant.

#### B. RISK MANAGEMENT

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

#### C. COMMITMENTS AND CONTINGENCIES

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

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

# CITY OF WATERTOWN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### **NOTE V - OTHER INFORMATION (cont.)**

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#### ***C. COMMITMENTS AND CONTINGENCIES (cont.)***

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

The city has active construction projects as of December 31, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

In 2016, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$600,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 4. Payments are scheduled through the year 2026, and carry an interest rate of 0%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year-end was \$600,000.

#### ***D. SUBSEQUENT EVENT***

The City of Watertown was notified by the Department of Administration (DOA) that the economic development loan program being accounted for in the CDBG Economic Fund and CDBG Housing Rehab Fund is subject to the closeout process in 2019. The City certified with DOA that all of the Community Development Block Grant (CDBG) funds were capitalized with payments of loans made from CDBG grant funds awarded prior to January 1, 1992 by the State of Wisconsin and no awards were received between January 1, 1992 to present. The City is has been notified from DOA that they will be allowed to retain the funds. The City Council has committed via resolution to give \$700,000 of the funds to the RDA though the distribution has not yet happened.

On Wednesday, March 06, 2019, the city issued general obligation promissory notes in the amount of \$3,115,000 with an interest rate of 3.00-5.00%. 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, 2018

### **NOTE V - OTHER INFORMATION** (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.

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>2018 Payments</u>
\$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.	\$ 58,416
The city agreed to provide a \$1,000,000 incentive payment in the form of a Municipal Revenue Obligation from 85% of the available increment generated by the project until paid but no later than December 31, 2038. Outstanding balance at December 31, 2018 was \$966,743.	Tax increment	Developer agreed to a \$4,500,000 renovation and a \$2,400,000 addition/expansion for a minimum equalized value increase of \$2,475,000.	33,257
The city will contribute \$450,000 from tax increment generated by the property to the developer upon substantial completion of the Riverwalk work. Unpaid amount will accrue interest at the rate of 6.25%. Outstanding balance, including interest at December 31, 2018, was \$421,216.	Tax increment	Developer agreed to construct a housing complex.	42,033



# CITY OF WATERTOWN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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## **NOTE V - OTHER INFORMATION** (cont.)

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

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

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
General property taxes for city purposes	\$ 8,284,931	\$ 8,284,931	\$ 8,284,931	\$ -
Payments in lieu of taxes	261,200	261,200	286,522	25,322
Tax chargebacks	-	-	359	359
Interest on taxes	23,300	23,300	21,863	(1,437)
Totals	8,569,431	8,569,431	8,593,675	24,244
<b>INTERGOVERNMENTAL</b>				
Shared taxes from state	3,053,983	3,053,983	3,055,094	1,111
Computer exemption aid	44,918	44,918	44,919	1
Fire insurance from state	56,000	56,000	63,345	7,345
State aid - service to state facilities	2,443	2,443	2,642	199
State aid - police training	6,000	6,000	5,920	(80)
State aid - road allotment	991,993	991,993	991,206	(787)
State aid - connecting streets	49,903	49,903	49,904	1
State aid - health department grant	73,000	73,000	77,490	4,490
State aid - gas tax refund	6,790	6,790	7,058	268
Firefighter grants	170,844	170,844	137,144	(33,700)
Urban forestry grant	-	-	25,000	25,000
Police grant - Dept. of Justice	6,000	6,000	-	(6,000)
Totals	4,461,874	4,461,874	4,459,722	(2,152)
<b>LICENSES AND PERMITS</b>				
Class A - malt - retail and grocery	2,000	2,000	2,000	-
Class A - liquor - liquor store	8,100	8,100	7,200	(900)
Class B - malt and liquor	28,600	28,600	24,123	(4,477)
Class B - malt only	1,600	1,600	1,450	(150)
Class B - malt - special events	400	400	500	100
Special events licenses - police officers	800	800	625	(175)
Beverage operator licenses	28,000	28,000	26,026	(1,974)
Cigarette licenses	800	800	725	(75)
Dog licenses	11,700	11,700	10,764	(936)
Cat licenses	1,900	1,900	1,750	(150)
Dog penalties	1,400	1,400	1,485	85
Soft drink licenses	200	200	-	(200)
Miscellaneous licenses	700	700	895	195
Music licenses	700	700	525	(175)

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

## CITY OF WATERTOWN

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>LICENSES AND PERMITS (cont.)</b>				
Bicycle license fees	\$ 225	\$ 225	\$ 230	\$ 5
Building permits, plan approval and state stickers	161,800	161,800	91,452	(70,348)
Demolition permits	500	500	700	200
Registration of vacant buildings/derelect structures	500	500	1,500	1,000
Derelect structures	300	300	-	(300)
Chicken permits	200	200	450	250
Occupy street/sidewalk	1,000	1,000	1,580	580
Heating permits	22,000	22,000	23,354	1,354
Electric permits	35,000	35,000	30,349	(4,651)
Plumbing permits	20,000	20,000	14,903	(5,097)
Swimming pool permits	500	500	200	(300)
Sign permits	1,000	1,000	675	(325)
Fire protection permits	2,000	2,000	2,050	50
Miscellaneous permits	200	200	195	(5)
Court penalties and costs	245,000	245,000	190,245	(54,755)
Totals	<u>577,125</u>	<u>577,125</u>	<u>435,951</u>	<u>(141,174)</u>
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk and treasurer fees	9,000	9,000	15,632	6,632
Publication fees	4,400	4,400	2,950	(1,450)
Attorney fees	-	-	200	200
Sale of materials and supplies	700	700	801	101
Cable TV fees	255,000	255,000	256,699	1,699
Appeal fees	700	700	600	(100)
Site plan review fees	6,000	6,000	5,400	(600)
Public hearing fees	12,000	12,000	7,700	(4,300)
Cable TV revenue	850	850	368	(482)
Reimbursement from prior year	-	-	6,407	6,407
Sales tax discount	150	150	146	(4)
Miscellaneous	28,000	28,000	8,349	(19,651)
Charges for city services - tax exempt property	26,000	26,000	22,800	(3,200)
Stipulation and waiver fees	70	70	-	(70)
Police department revenue	13,800	13,800	11,087	(2,713)
Alarm permits/response fees	5,500	5,500	7,210	1,710
Ambulance - EMS charges	550,000	550,000	543,817	(6,183)
Fire cost recovery	4,000	4,000	285	(3,715)
Health department revenue	11,000	11,000	11,025	25
County aid - health check	16,000	16,000	11,546	(4,454)
Parking violations	30,000	30,000	36,982	6,982
Yard waste exemption	200	200	125	(75)
Fees for plans and specs	700	700	70	(630)

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC CHARGES FOR SERVICES (cont.)</b>				
Public works charges for services	\$ 6,000	\$ 6,000	\$ 9,564	\$ 3,564
Recreation department revenues	127,000	127,000	139,027	12,027
Recreation department concessions	1,600	1,600	2,204	604
Ticket sales revenue	800	800	648	(152)
Aquatic center revenue	160,000	160,000	131,024	(28,976)
Indoor swimming pool	52,000	52,000	46,459	(5,541)
Senior center revenue	4,200	4,200	3,135	(1,065)
Senior center memberships	6,500	6,500	6,329	(171)
Senior center rental fees	13,000	13,000	14,771	1,771
Park rentals	34,000	34,000	37,464	3,464
Miscellaneous park revenues	25,000	25,000	36,944	11,944
Totals	<u>1,404,170</u>	<u>1,404,170</u>	<u>1,377,768</u>	<u>(26,402)</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Fire/EMS protection services - townships	<u>217,000</u>	<u>217,000</u>	<u>227,771</u>	<u>10,771</u>
<b>INVESTMENT INCOME</b>				
Investment income	<u>100,000</u>	<u>100,000</u>	<u>157,507</u>	<u>57,507</u>
<b>MISCELLANEOUS REVENUES</b>				
Insurance dividends	50,000	50,000	70,697	20,697
Airport crop land rental	-	-	7,500	7,500
Airport hangar rental	14,500	14,500	19,025	4,525
Airport fuel tax	5,000	5,000	2,073	(2,927)
Airport terminal rent	2,400	2,400	-	(2,400)
Billboard rent	500	500	98	(402)
Credit Card Rebate	-	-	46,863	46,863
Fire prevention programs	-	-	14,298	14,298
Police K-9	-	-	25,183	25,183
Police donations	-	-	33,028	33,028
Senior center fundraising	-	-	13,060	13,060
EMS/EMT Training	-	-	6,265	6,265
Brandt/Quirk Park	-	-	1,901	1,901
Interurban trail	-	-	28,698	28,698
4th of July parade	-	-	14,935	14,935
Christmas Parade	-	-	8,275	8,275
Totals	<u>72,400</u>	<u>72,400</u>	<u>291,899</u>	<u>219,499</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of assets	20,000	20,000	4,593	(15,407)
Transfer in	-	-	300,000	300,000
Transfer in - tax equivalent	<u>903,000</u>	<u>903,000</u>	<u>951,679</u>	<u>48,679</u>
Totals	<u>923,000</u>	<u>923,000</u>	<u>1,256,272</u>	<u>333,272</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>16,325,000</u>	<u>16,325,000</u>	<u>16,800,565</u>	<u>475,565</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Common council	\$ 92,098	\$ 89,098	\$ 85,576	\$ 3,522
Commissions and committees	250	250	242	8
Municipal court	119,161	119,161	114,361	4,800
Mayor	132,438	193,038	166,224	26,814
Clerk/treasurer	424,653	432,153	431,534	619
Elections	50,570	41,970	41,555	415
Assessment of property	73,495	74,695	74,557	138
Accounting and auditing	50,000	50,000	53,974	(3,974)
City attorney	190,079	223,279	215,477	7,802
Special legal fees	20,000	20,000	19,555	445
Municipal building	287,487	287,487	297,455	(9,968)
Other buildings	4,500	5,300	4,718	582
Information Technology	92,186	85,269	60,557	24,712
Property and liability insurance	443,500	451,000	450,982	18
Retiree health insurance	20,000	13,000	12,955	45
Employee assistance program	2,000	2,000	166	1,834
Employee Best Flex 125 Plan	4,700	4,700	5,293	(593)
Employee pay plan study/training	2,000	14,000	12,000	2,000
Unemployment compensation	1,000	1,000	273	727
Cable TV	87,089	87,089	83,641	3,448
Other general government	-	5,400	5,865	(465)
Contingency	27,373	-	-	-
Totals	<u>2,124,579</u>	<u>2,199,889</u>	<u>2,136,960</u>	<u>62,929</u>
<b>PUBLIC SAFETY</b>				
Police	4,141,431	4,051,496	3,976,385	75,111
Crossing guards	37,430	37,430	37,102	328
Dispatch center	703,558	673,558	682,426	(8,868)
Fire department	2,692,602	2,680,602	2,665,699	14,903
Building inspection	263,461	263,461	242,655	20,806
Emergency government	26,500	26,500	23,638	2,862
Totals	<u>7,864,982</u>	<u>7,733,047</u>	<u>7,627,905</u>	<u>105,142</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC WORKS</b>				
Engineering	\$ 454,855	\$ 437,855	\$ 411,097	\$ 26,758
Planning	11,000	2,000	286	1,714
Machinery and equipment	403,960	438,960	408,984	29,976
Garages and sheds	106,592	106,592	114,045	(7,453)
Street administration	288,846	266,946	258,896	8,050
Service to other departments	92,564	92,564	81,814	10,750
Traffic control	36,000	40,935	34,947	5,988
Street maintenance	715,718	715,718	724,073	(8,355)
Snow and ice control	383,207	439,207	470,837	(31,630)
Signs and markings	92,100	92,100	88,863	3,237
Street lighting	430,000	470,000	466,599	3,401
Airport	190,908	208,808	176,871	31,937
Totals	<u>3,205,750</u>	<u>3,311,685</u>	<u>3,237,312</u>	<u>74,373</u>
<b>HEALTH AND HUMAN SERVICES</b>				
Health care	<u>410,743</u>	<u>410,743</u>	<u>395,607</u>	<u>15,136</u>
<b>CULTURE, EDUCATION, AND RECREATION</b>				
Library	738,288	738,288	738,289	(1)
Recreation administration	199,354	209,354	205,272	4,082
Recreation	117,672	117,672	109,408	8,264
Aquatic center	238,879	223,152	206,195	16,957
Indoor pool	171,929	171,929	158,180	13,749
Senior & community center	241,653	224,653	217,961	6,692
Parks	861,872	858,857	868,314	(9,457)
Park garage	19,700	19,700	18,902	798
Totals	<u>2,589,347</u>	<u>2,563,605</u>	<u>2,522,521</u>	<u>41,084</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
Economic development	<u>165,599</u>	<u>183,614</u>	<u>179,152</u>	<u>4,462</u>
Totals	<u>165,599</u>	<u>183,614</u>	<u>179,152</u>	<u>4,462</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC SERVICE ENTERPRISES</b>				
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>
<b>CAPITAL OUTLAY</b>				
Fire prevention programs	-	-	11,918	(11,918)
Police department donations	-	-	24,569	(24,569)
Police canine unit	-	-	4,508	(4,508)
Senior center fundraising	-	-	17,256	(17,256)
Bike Trail	-	-	-	-
EMT training/Act 102	-	-	7,160	(7,160)
Brandt baseball park	-	-	3,324	(3,324)
Interurban trail	-	-	2,178	(2,178)
4th of July Parade	-	-	16,767	(16,767)
Christmas Parade	-	-	9,019	(9,019)
Totals	<u>-</u>	<u>-</u>	<u>96,699</u>	<u>(96,699)</u>
<b>OTHER FINANCING USES</b>				
Transfer out - transit	-	40,000	40,000	-
Transfer out - TID No. 5	-	-	300,000	(300,000)
Totals	<u>-</u>	<u>40,000</u>	<u>340,000</u>	<u>(300,000)</u>
<b>TOTAL EXPENDITURES</b>	<u>16,525,000</u>	<u>16,606,583</u>	<u>16,700,156</u>	<u>(93,573)</u>
Net change in fund balance	(200,000)	(281,583)	100,409	381,992
FUND BALANCE - Beginning of Year	<u>6,073,616</u>	<u>6,073,616</u>	<u>6,073,616</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,873,616</u>	<u>\$ 5,792,033</u>	<u>\$ 6,174,025</u>	<u>\$ 381,992</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, 2018

<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>
12/31/18	0.08531319%	\$ (2,533,049)	\$ 9,898,702	25.59%	102.93%
12/31/17	0.08339948%	687,411	9,764,018	7.04%	99.12%
12/31/16	0.08260644%	1,342,339	9,542,681	14.07%	98.20%
12/31/15	0.08300487%	(2,038,827)	9,184,102	22.20%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2018

<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>
12/31/18	\$ 917,273	\$ 917,273	\$ -	\$ 10,068,591	9.11%
12/31/17	892,699	892,699	-	9,898,702	9.02%
12/31/16	814,342	814,342	-	9,764,018	8.34%
12/31/15	815,395	815,395	-	9,542,681	8.54%

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

## CITY OF WATERTOWN

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2018

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#### ***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 \$73,331 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, 2018

	Special Revenue Funds			
	Transit System Fund	CDBG Economic Fund	CDBG	
			Housing Rehab Fund	Library Fund
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 702,540	\$ 74,749	\$ 212,289
Receivables (net)				
Taxes	-	-	-	-
Pledges	-	-	-	-
Accounts	-	-	-	-
Grants	46,572	-	-	-
Loans	-	157,738	747,000	-
Prepaid items	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 46,572</u>	<u>\$ 860,278</u>	<u>\$ 821,749</u>	<u>\$ 212,289</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 36,896	\$ -	\$ -	\$ 9,416
Accrued liabilities	-	-	-	-
Due to other funds	19,269	-	-	-
Advances from other funds	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	<u>56,165</u>	<u>-</u>	<u>-</u>	<u>9,416</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent trust	-	-	-	-
Restricted	-	860,278	821,749	202,873
Committed	-	-	-	-
Unassigned (deficit)	(9,593)	-	-	-
Total Fund Balances	<u>(9,593)</u>	<u>860,278</u>	<u>821,749</u>	<u>202,873</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 46,572</u>	<u>\$ 860,278</u>	<u>\$ 821,749</u>	<u>\$ 212,289</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
\$ 68,802	\$ 135,220	\$ 450,143	\$ 46,675	\$ 27,219	\$ 556,069	\$ 28,505	\$ 34,150
-	-	-	-	-	-	-	58,249
-	-	-	-	-	626,276	-	-
-	-	-	-	-	-	-	119,690
-	-	-	-	-	-	-	-
-	-	4,470	881	-	-	-	8,747
<u>\$ 68,802</u>	<u>\$ 135,220</u>	<u>\$ 454,613</u>	<u>\$ 47,556</u>	<u>\$ 27,219</u>	<u>\$ 1,182,345</u>	<u>\$ 28,505</u>	<u>\$ 220,836</u>
\$ -	\$ -	\$ 2,291	\$ -	\$ -	\$ -	\$ 5,888	\$ 32,178
-	-	7,709	1,347	-	-	-	12,842
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	10,000	1,347	-	-	5,888	45,020
-	-	-	-	-	626,276	-	-
-	-	-	-	-	626,276	-	-
-	-	4,470	881	-	-	-	8,747
-	-	-	-	-	-	-	-
-	135,220	-	45,328	27,219	556,069	22,617	-
68,802	-	440,143	-	-	-	-	167,069
-	-	-	-	-	-	-	-
<u>68,802</u>	<u>135,220</u>	<u>444,613</u>	<u>46,209</u>	<u>27,219</u>	<u>556,069</u>	<u>22,617</u>	<u>175,816</u>
<u>\$ 68,802</u>	<u>\$ 135,220</u>	<u>\$ 454,613</u>	<u>\$ 47,556</u>	<u>\$ 27,219</u>	<u>\$ 1,182,345</u>	<u>\$ 28,505</u>	<u>\$ 220,836</u>

**CITY OF WATERTOWN**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of December 31, 2018

	TID No. 4	TID No. 5	TID No. 6	TID No. 7	Permanent Fund Library Trust	Total Nonmajor Funds
<b>ASSETS</b>						
Cash and investments	\$ 2,153,842	\$ 2,721,906	\$ -	\$ -	\$ 18,200	\$ 7,230,309
Receivables (net)						
Taxes	761,996	460,534	71,001	40,428	-	1,392,208
Pledges	-	-	-	-	-	626,276
Accounts	-	-	-	-	-	119,690
Grants	-	-	-	-	-	46,572
Loans	-	-	-	-	-	904,738
Prepaid items	-	-	-	-	-	14,098
<b>TOTAL ASSETS</b>	<b><u>\$ 2,915,838</u></b>	<b><u>\$ 3,182,440</u></b>	<b><u>\$ 71,001</u></b>	<b><u>\$ 40,428</u></b>	<b><u>\$ 18,200</u></b>	<b><u>\$ 10,333,891</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,669
Accrued liabilities	-	-	-	-	-	21,898
Due to other funds	-	-	16,537	-	-	35,806
Advances from other funds	-	-	-	59,748	-	59,748
Other liabilities	-	305,715	-	-	-	305,715
Total Liabilities	<u>-</u>	<u>305,715</u>	<u>16,537</u>	<u>59,748</u>	<u>-</u>	<u>509,836</u>
Deferred Inflows of Resources						
Unearned revenues	<u>761,996</u>	<u>460,534</u>	<u>71,001</u>	<u>40,428</u>	<u>-</u>	<u>1,960,235</u>
Total Deferred Inflows of Resources	<u>761,996</u>	<u>460,534</u>	<u>71,001</u>	<u>40,428</u>	<u>-</u>	<u>1,960,235</u>
Fund Balances						
Nonspendable:						
Prepaid items	-	-	-	-	-	14,098
Permanent trust	-	-	-	-	18,200	18,200
Restricted	2,153,842	2,416,191	-	-	-	7,241,386
Committed	-	-	-	-	-	676,014
Unassigned (deficit)	-	-	(16,537)	(59,748)	-	(85,878)
Total Fund Balances	<u>2,153,842</u>	<u>2,416,191</u>	<u>(16,537)</u>	<u>(59,748)</u>	<u>18,200</u>	<u>7,863,820</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 2,915,838</u></b>	<b><u>\$ 3,182,440</u></b>	<b><u>\$ 71,001</u></b>	<b><u>\$ 40,428</u></b>	<b><u>\$ 18,200</u></b>	<b><u>\$ 10,333,891</u></b>

**CITY OF WATERTOWN**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2018

	Special Revenue Funds			
	Transit System Fund	CDBG Economic Fund	CDBG Housing Rehab Fund	Library Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	493,366	-	-	259,004
Licenses and permits	-	-	-	-
Public charges for services	321,801	-	-	28,402
Investment income	-	6,119	388	-
Miscellaneous	-	-	3,289	13,505
Total Revenues	<u>815,167</u>	<u>6,119</u>	<u>3,677</u>	<u>300,911</u>
<b>EXPENDITURES</b>				
Current				
Public works	820,273	-	-	-
Health and human services	-	-	-	-
Culture, education, and recreation	-	-	-	210,416
Conservation and development	-	-	2,515	-
Capital outlay	-	-	-	70,619
Debt Service				
Principal	-	-	-	-
Interest, issuance costs and fiscal charges	-	-	-	-
Total Expenditures	<u>820,273</u>	<u>-</u>	<u>2,515</u>	<u>281,035</u>
Excess (deficiency) of revenues over expenditures	<u>(5,106)</u>	<u>6,119</u>	<u>1,162</u>	<u>19,876</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	34,894	6,119	1,162	19,876
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(44,487)</u>	<u>854,159</u>	<u>820,587</u>	<u>182,997</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (9,593)</u>	<u>\$ 860,278</u>	<u>\$ 821,749</u>	<u>\$ 202,873</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,959	\$ -
4,000	-	47,019	46,013	16,547	-	-	132,893
-	-	1,830	-	-	-	-	-
-	-	342,100	-	-	-	-	1,149,973
910	3,079	-	-	-	2,670	-	-
<u>423,440</u>	<u>-</u>	<u>13,548</u>	<u>-</u>	<u>500</u>	<u>440,655</u>	<u>-</u>	<u>18,667</u>
<u>428,350</u>	<u>3,079</u>	<u>404,497</u>	<u>46,013</u>	<u>17,047</u>	<u>443,325</u>	<u>135,959</u>	<u>1,301,533</u>
-	-	-	-	-	-	-	1,080,018
-	-	322,528	41,927	12,922	-	-	-
425,414	-	-	-	-	16,353	123,922	-
-	-	-	-	-	-	-	-
-	31,969	-	-	-	-	-	271,586
-	-	-	-	-	-	-	176,600
-	-	-	-	-	-	-	24,722
<u>425,414</u>	<u>31,969</u>	<u>322,528</u>	<u>41,927</u>	<u>12,922</u>	<u>16,353</u>	<u>123,922</u>	<u>1,552,926</u>
<u>2,936</u>	<u>(28,890)</u>	<u>81,969</u>	<u>4,086</u>	<u>4,125</u>	<u>426,972</u>	<u>12,037</u>	<u>(251,393)</u>
-	-	-	-	-	15,500	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	15,500	-	-
<u>2,936</u>	<u>(28,890)</u>	<u>81,969</u>	<u>4,086</u>	<u>4,125</u>	<u>442,472</u>	<u>12,037</u>	<u>(251,393)</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>
<u>\$ 68,802</u>	<u>\$ 135,220</u>	<u>\$ 444,613</u>	<u>\$ 46,209</u>	<u>\$ 27,219</u>	<u>\$ 556,069</u>	<u>\$ 22,617</u>	<u>\$ 175,816</u>



**CITY OF WATERTOWN**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2018

	Capital Projects Funds				
	TID No.3	TID No.4	TID No. 5	TID No. 6	TID No. 7
<b>REVENUES</b>					
Taxes	\$ 1,456,188	\$ 492,349	\$ 475,008	\$ 67,607	\$ 22,117
Intergovernmental	8,903	355	6,591	-	-
Licenses and permits	-	-	-	-	-
Public charges for services	-	-	-	-	-
Investment income	21,461	34,212	57,317	-	-
Miscellaneous	-	-	136,281	-	-
Total Revenues	<u>1,486,552</u>	<u>526,916</u>	<u>675,197</u>	<u>67,607</u>	<u>22,117</u>
<b>EXPENDITURES</b>					
Current					
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture, education, and recreation	-	-	-	-	-
Conservation and development	895,778	37,904	100,449	150	39,323
Capital outlay	-	-	1,680,223	-	-
Debt Service					
Principal	555,000	490,000	225,570	50,000	-
Interest, issuance costs and fiscal charges	11,220	88,589	214,654	19,200	-
Total Expenditures	<u>1,461,998</u>	<u>616,493</u>	<u>2,220,896</u>	<u>69,350</u>	<u>39,323</u>
Excess (deficiency) of revenues over expenditures	<u>24,554</u>	<u>(89,577)</u>	<u>(1,545,699)</u>	<u>(1,743)</u>	<u>(17,206)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	532,969	300,000	-	-
Transfers out	<u>(1,152,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>(1,152,713)</u>	<u>532,969</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,128,159)	443,392	(1,245,699)	(1,743)	(17,206)
<b>FUND BALANCES (DEFICIT) -</b>					
Beginning 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>
END OF YEAR	<u>\$ -</u>	<u>\$ 2,153,842</u>	<u>\$ 2,416,191</u>	<u>\$ (16,537)</u>	<u>\$ (59,748)</u>

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Permanent Fund	Total Nonmajor Funds
Library Trust	
\$ -	\$ 2,649,228
-	1,014,691
-	1,830
-	1,842,276
-	126,156
-	1,049,885
<u>-</u>	<u>6,684,066</u>
-	1,900,291
-	377,377
-	776,105
-	1,076,119
-	2,054,397
-	1,497,170
-	358,385
<u>-</u>	<u>8,039,844</u>
-	(1,355,778)
-	888,469
-	(1,152,713)
<u>-</u>	<u>(264,244)</u>
-	(1,620,022)
<u>18,200</u>	<u>9,483,842</u>
<u>\$ 18,200</u>	<u>\$ 7,863,820</u>