

# **2022**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT CITY OF WATERTOWN, SOUTH DAKOTA**



**January 1, 2022 – December 31, 2022**



**Prepared by THE CITY FINANCE OFFICE  
Kristen Bobzien, Finance Officer**



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City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

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August 8, 2023

Honorable Ried Holien, Mayor  
Members of the City Council  
City of Watertown  
Watertown, South Dakota, 57201

I am pleased to submit to you the Annual Comprehensive Financial Report for the City of Watertown, South Dakota, for the fiscal year ended December 31, 2022.

The report was prepared by the City Finance Office in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the City management. We believe the data as presented is accurate and reliable in all material respects; is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that disclosures necessary to enable readers to gain an understanding of the City's financial affairs have been included.

Management of the City is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Watertown's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's financial statements have been audited by William Neale & Co., P.C. a firm of certified public accountants authorized by the State of South Dakota to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Watertown for the fiscal year ended December 31, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Watertown's financial statements for the fiscal year ended December 31, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Watertown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of the federal awards. These reports are included in this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Watertown's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City of Watertown**

The City of Watertown, incorporated in 1885, is a progressive community that has been able to maintain its small town charm. The City is located in northeast South Dakota, at the crossroads of Interstate 29 and US Highway 212. It is nicknamed “South Dakota’s Rising Star”, because it is a growing and vibrant community that offers residents and visitors an unparalleled quality of life.

The City adopted the Council-Manager form of government in 2021. The City is a home-rule municipality chartered under the Constitution of the State of South Dakota and is governed by six alderpersons and a part-time mayor. The City is divided into five wards with representation on the City Council by one from each ward and one at-large alderperson. The mayor is elected at large. The length of terms for alderpersons and the mayor are four years with elections held in each odd-numbered year. The City Council meets the first Monday of each month in regular session and, in addition, numerous special meetings and work sessions throughout the year. The City Council is responsible for adopting the budget, enacting ordinances, resolutions and regulations governing the City as well as approving the mayor’s appointment of members to committees and advisory boards and Department Heads of the City.

The City provides the full range of municipal services normally associated with a municipality. These basic services include public safety, streets, solid waste collection and disposal, planning, culture and recreation, sewer, airport and utility services including water, electric and gas. For financial reporting purposes, all funds involved in providing these services are included based on financial accountability. Financial accountability is determined by several inherent factors, including fiscal dependence, ability to impose will upon the entity’s governing body, provision of specific financial burdens or benefits and separate legal entity status. The Housing and Redevelopment Commission is a legally separate authority whose board is appointed by the City Council and is reported separately as a component unit within the City of Watertown financial statements.

The annual budget serves as the basis for the City of Watertown’s financial planning, development and control. The budget ordinance must be adopted by a majority of the Council members no later than November 30<sup>th</sup> of each year. Once the budget is approved, the expenditures incorporated within the budget become legally binding and the actual expenditures cannot exceed the budgeted amounts unless amended through a supplemental appropriation ordinance or other permitted means. Even though it is not necessary to make formal appropriations for enterprise funds, an annual budget is developed and published no later than December 31<sup>st</sup> of each year. Because enterprise fund revenues and expenses fluctuate with changing service and delivery levels, flexible budgets are used for planning, control and evaluation purposes. All appropriations, except for capital expenditures, shall lapse at the close of the fiscal year. Under the Home Rule Charter, an appropriation for capital expenditures shall continue in force until expended, revised or repealed unless three years pass without activity.

Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons which are part of the required supplemental information and supplementary information.

## **Factors Affecting Financial Condition**

The information presented in these financial statements is best understood when it is considered in conjunction with the broader perspective of the environment within which the City of Watertown operates.

## **Economic Conditions and Outlook**

The local economy was met with the same uncertainty and struggles that other areas are experiencing. Following the pandemic the cost of doing business was on the rise. Construction product, shortage of workers and other factors have contributed to costs skyrocketing. The City did experience strong growth in 2022 even with inflation setting in. The General Fund sales tax revenues showing an increase of 20.1% over the original budgeted revenues and an increase of 12.0% over the actual sales tax revenue from 2021. The fund balance decreased in 2022, which was anticipated during the 2022 budget. The increased sales tax growth helped offset the purchase of large equipment and personnel costs. The continued practice of budgeting conservatively by the City Council will help maintain an adequate unassigned fund balance available in the General Fund to accommodate economic instability or growth of the City in years to come.

The labor force in Codrington County decreased from 15,880 to 15,771 from 2021 to 2022 and the total employment increased from 15,542 to 16,099 individuals for those dates, respectively. Unemployment for Codrington County was at 2.0%, which is lower than the national rate at year-end.

The Watertown Regional Airport continues to keep enplanements over the 10,000 mark after a slow year in 2020. The City was able to reach 14,526 which is steady over the past few years. The City was awarded a Federal Aviation Administration grant to help fund the remodel/construction of a new Airport Terminal and a Snow Removal Equipment building. The 2023 budget included grants to purchase two new pieces of Snow Removal Equipment which will be delivered early 2024. The new Airport Terminal opened on August 10, 2022. The City will receive future grants to construct an Ag Spray Area and a new Taxiway Bravo.

The City budgeted for anticipated growth in the Sales Tax revenue in 2022 compared to projected revenues in 2021. The budget was completed during a time when the talks of a potential recession was happening as well as interest rates rising. Due to these factors the sales tax projections were very conservative. The debt service expenditures have increased due to the issuance of bonds and the Capital Improvement Fund unassigned balance has decreased over the years to cover the repayment of these bonds. The increase in Sales Tax revenues will allow for the Capital Improvement Fund to restore some of the fund balance for future capital needs. The City continues to see growth and with proper planning, we will be able to expand and improve infrastructure.

The City is currently facing some very uncertain times as it relates to the economy. After weathering the pandemic the City is now faced with escalating inflation that has driven up the cost of many large projects. Planning will become extremely important over the next years as the talk of a recession is still a concern.

## **Major Initiatives**

Some major capital initiatives started or completed during 2022 are listed below:

**Wastewater Projects (\$36M)** – In January 2022, HDR Engineering completed an engineering evaluation of the Watertown Wastewater Treatment Facility (WWTF). The evaluation assessed the wastewater treatment facility's physical condition and process capacities. From these evaluations, the City developed a project for improvements necessary to meet the service area needs of the WWTF for the next 20 years. This project will be funded through the SDDANR Clean Water State Revolving Fund (SRF) program. The estimated cost of the project is \$35.7 million. Funding for the \$35.7 million project is as follows: \$15,894,200 in grants (\$3.7M in ARPA, additional \$3.7M matching ARPA, and \$8.5M additional grants) / \$19,819,800 in loans at 2.125% for 30 years. A resolution was passed by the City Council to increase the sewer rates to cover the debt payments and meet all requirements of the loan.

Landfill Cell #7 – This project consisted of the construction of Cell #7, the completion of stormwater management infrastructure along the western extents of the subtitle D landfill area, and bituminous patch work on the facilities hard-surface compost pad. The construction of Cell #7 was necessary for the facilities continued waste placement operations. Cell #7 was completed in 2022 and was funded with a State Revolving Fund Loan and a Solid Waste Management Program grant.

Airport Terminal Building – The City of Watertown began construction of a new Airport Terminal Building in 2020 and the project was completed in August of 2022. The new Terminal will replace a 10,000 square foot building with a 25,000 square foot building. The new terminal will also feature a restaurant and one more car rental station. Another significant change will be the operation of two gates in the facility versus one in the current terminal. The City was awarded a grant through the Airport Improvement Program. The Federal program reimburses 90% of approved costs and the State of South Dakota Department of Transportation reimburses an additional 3.5%, this leaves the City covering the remaining 6.5% cost of the project. Through grant funding such as this the City has been able to complete numerous large-scale projects at the Airport that have a significant cost.

### **Long-Term Planning**

The City of Watertown provides its citizens with affordable rates for many services, the City continues to make the operation of City Departments as cost effective as possible. Departments are looking for ways to bring in more revenue by applying for grants or by increasing memberships for the various programs offered throughout the City. Along with increasing revenues, departments are always finding ways to lower operating costs. This is extremely important for the City, with many different departments operating separately but out of one funding source, it is essential that all departments continue to find ways to save in any areas possible.

The City performed a rate study in 2020 and the annual review was completed in 2021. The review resulted in rate increases in both the Sewer and Solid Waste fees. Part of the increase for Sewer fees relates to the construction of the Clarifier project and the upcoming various major sewer improvements. The City continues to maintain affordable rates compared to other municipalities in similar size. The consistent review of infrastructure needs and operational requirements has allowed the City to increase rates as necessary to provide excellent service to the citizens.

Personnel costs continue to be a significant portion of the budget. Along with this is the need to make sure that the City maintains enough funding to cover personnel costs each year. Each department must show a need for new positions and an explanation of how they can cover the cost during the budgeting process. The goal is to adequately staff all departments while maintaining a fund balance that can cover future costs even in a slow economy.

The City has seen growth in facilities that have the potential to bring people to Watertown from outside the community. The Premier Softball Complex and Prairie Lakes Wellness Center have provided opportunities to host many different tournaments and events all with the potential to create an increase in sales tax dollars. The City broke ground on a new two-sheet Ice Arena, the addition of this facility will again bring many more visitors to town and provide even more economic impact. The City will continue to focus on working with the Convention and Visitors Bureau to promote these new facilities. The promoting of the City is possible by using the \$2 per night room tax that is collected by the local hotels.

The City will continue to look for other potential revenue sources as the expenditures continue to increase. Sales Tax revenue has increased over the last couple of years and the City will continue to watch and budget accordingly.

## **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watertown for its annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the fortieth year that the City of Watertown has achieved this prestigious award.

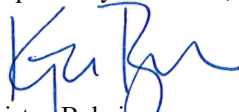
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

Preparation of this report could not be accomplished without the efficient and dedicated services of the entire Finance Office staff and with the assistance of the Municipal Utilities Department. I would like to thank all the City Departments for their help in gathering the information necessary to complete this report. The Finance Office staff has worked hard all year to ensure all data is accurate. I would also like to thank the Mayor and members of the City Council for their continued support and involvement in the management of the City's financial operations.

Respectfully submitted,



Kristen Bobzien  
Finance Officer





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Watertown  
South Dakota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morill*

Executive Director/CEO

Municipal Officials

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<b>Governing Boards</b>	<b>Expires</b>
<b>LIBRARY BOARD</b>	
Dave Weigel	July, 2023
Anne Gabel	July, 2024
Jean Moulton	July, 2024
Sandra Niewoehner	July, 2024
Michelle Spies	July, 2025
Dan Schutte - Liaison	
<b>MUNICIPAL UTILITIES BOARD</b>	
Chris Carter	July, 2023
Michael Luken	July, 2024
Dan Brenden	July, 2025
Rich Thomas	July, 2026
Charlie Larkin	July, 2027
Mike Danforth - Liaison	
<b>PARK &amp; RECREATION BOARD</b>	
Mike Johnson	July, 2024
Summerlynn Scott	July, 2024
Melissa Terronez	July, 2025
Adam Lalim	July, 2025
Michelle Leitheiser	July, 2025
Abby Keyes	July, 2026
Nathan Graf	July, 2026
Bruce Buhler - Liaison	

Municipal Officials

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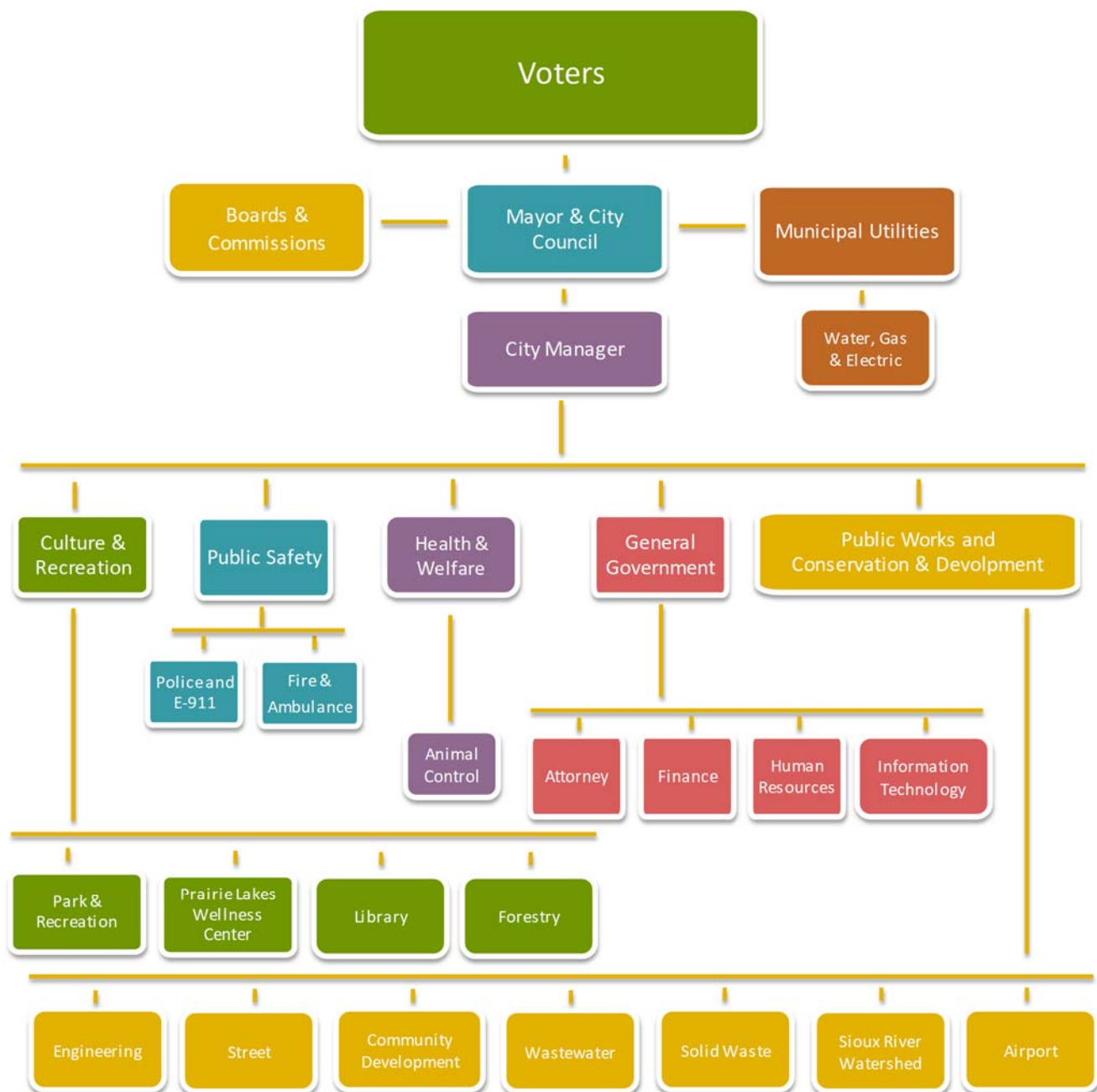
<b>City Elected Officials</b>	<b>Expires</b>
MAYOR	
Ried Holien	July, 2025
ALDERPERSONS	
WARD A	
Michael Danforth	July, 2025
WARD B	
Kyle Peters	July, 2027
WARD C	
Dan Schutte	July, 2027
WARD D	
Bruce Buhler	July, 2025
WARD E	
Lynn Jurrens	July, 2027
AT-LARGE	
Randy Tupper	July, 2025

**City Appointed Officers**

CITY MANAGER	POLICE CHIEF
Amanda Mack	Tim Toomey
FINANCE OFFICER	FIRE CHIEF
Kristen Bobzien	Don Rowland
HUMAN RESOURCES DIRECTOR	PARK, RECREATION & FORESTRY DIRECTOR
Darci Nichols	Dusty Rodiek
PUBLIC WORKS DIRECTOR/CITY ENGINEER	SUPERINTENDENT OF UTILITIES
Heath VonEye	Steve Lehner
LIBRARY DIRECTOR	INFORMATION TECHNOLOGY DIRECTOR
Maria Gruener	Peter Boyle

Organizational Chart

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Watertown, South Dakota

**Report on the Audit of the Financial Statements****Opinions**

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

In our opinion, based on our audit and the report of other auditors, the accompanying 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, South Dakota as of December 31, 2022, 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.

We did not audit the financial statements of The Housing and Redevelopment Commission, which represents 100 percent of the assets, net position, and revenues of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Housing and Redevelopment Commission, is based solely on the report of the other auditors.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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



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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of Changes in Total OPEB Liability, Related Ratios and Notes, the Schedule of Net Pension Liability (Asset), the Schedule of Contributions, and the Infrastructure Assets Reported Using the Modified Approach be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the combining and individual fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the combining and individual fund financial statements and budgetary comparison schedules information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*William Neale & Co., P.C.*

Watertown, South Dakota  
August 8, 2023

## Management's Discussion and Analysis

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This discussion and analysis presents an overview of the financial activities and financial position for the City of Watertown (the "City") for the year ended December 31, 2022. Please read and consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the City's financial statements.

### Financial Highlights

At the close of 2022, total assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$418 million. This amount is referred to as the City's "net position." Of this net position amount, \$69 million may be used to meet the City's ongoing obligations to citizens and creditors. The \$418 million net position amount is comprised of three major components:

•	Net investment in capital assets	\$ 325 million
•	Amounts restricted as to their use	\$ 24 million
•	Unrestricted net position	\$ 69 million

The City's total net position increased during 2022 by approximately \$30.4 million. Of this increase, \$5.1 million occurred within the City's governmental activities and the remaining \$25.3 million increase occurred within the City's business-type activities, or Enterprise Funds. The revenues of the Capital Improvement Fund (\$15.5 million) are limited in their use to primarily acquiring or constructing capital assets which are then depreciated over the useful lives of those capital assets. Therefore, revenues generated in the Capital Improvement Fund result in an immediate increase in net position, however, when those revenues are spent, the decrease in net position is not immediate but, rather, is realized over a long period of time as the capital assets are depreciated. Unless and until the annual depreciation expense on those capital assets equals or exceeds those revenues, net position will tend to increase.

The net position for the business-type activities is somewhat related to what private sector business may report as a net profit. The increase of \$25.3 million in net position reflects the business-type activities revenues that continue to exceed expenses.

As of the close of 2022, the City's Governmental Funds reported combined ending fund balances of \$79.8 million. Of this total amount, \$27.9 million is available for spending at the City's discretion, although only about \$10.3 million is within the City's General Fund and is held as unassigned for any specific purpose. The City's total long-term debt as of December 31, 2022, is \$100.2 million including \$6.8 million that will become due and payable during 2023.

### Overview of Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. 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 the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental fund statements tell how government services like public safety and culture & recreation were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities that the City operates like a business. The City has six proprietary funds – the Sewer Fund, Solid Waste Fund, Airport Fund, Water Fund, Electric Fund and Gas Fund.

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 the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and enterprise funds, each of which are added together and presented in a single column in the basic financial statements.



## Management's Discussion and Analysis

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**Government-wide financial statements.** The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health & welfare, culture & recreation, conservation & development and debt service. The business-type activities of the City include the enterprise activities of the sewer, solid waste, airport, electric, water and gas funds.

The government-wide financial statements include not only the City of Watertown itself (known as the primary government), but also the legally separate Watertown Housing & Redevelopment Authority for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the entity's administrative office at 24 W. Kemp Ave, Watertown, South Dakota 57201.

**Fund financial statements.** A fund is a grouping of related accounts that are used to maintain financial control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained 23 individual governmental funds for 2022. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund, TIF #5 Fund and Capital Projects Fund (506) which are considered to be major funds. Data from the other 19 governmental funds are combined into a single aggregated presentation. Fund data for each individual non-major governmental fund is provided in the form of combining statements following the required supplementary information.

## Management's Discussion and Analysis

The City adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided as required supplementary information for the General Fund, each major Special Revenue Fund and Capital Projects Fund (506) to demonstrate compliance with this budget. In addition, a budgetary comparison statement has been provided for the non-major governmental funds following the required supplementary information.

**Proprietary funds.** The City maintains one type of proprietary fund: Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Watertown uses enterprise funds to account for its sewer, solid waste, airport, electric, water, and gas funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The sewer, electric, water, gas and airport funds are considered to be major funds. Data from the other enterprise fund is in a single aggregated presentation. Individual fund data for the non-major enterprise fund is provided in the form of combining statements following the required supplementary information.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This section includes a budgetary comparison schedule and related notes for the General Fund, each major special revenue fund and Capital Projects Fund (506), schedule of contributions, schedule of net pension liability (asset), the schedule of changes in total OPEB Liability, related ratios and notes, and infrastructure assets reported using the modified approach.

The combining statements referred to earlier in connection with non-major governmental funds and the non-major enterprise funds are presented immediately following the required supplementary information.

## Government-wide Financial Analysis

**Net Position.** As presented on the following table, the City's assets exceeded liabilities by \$418,448,754 at the close of the fiscal year ending December 31, 2022.

### Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and Other Assets	\$60,585,505	\$88,939,224	\$55,863,435	\$57,788,259	\$116,448,940	\$146,727,483
Capital Assets	148,891,095	160,243,372	203,320,166	223,840,177	352,211,261	384,083,549
Total Assets	209,476,600	249,182,596	259,183,601	281,628,436	468,660,201	530,811,032
Deferred Outflows of Resources	5,663,736	5,334,916	3,679,832	3,621,862	9,343,568	8,956,778
Long-term Debt Outstanding	38,438,057	69,897,315	25,840,985	23,468,455	64,279,042	93,365,770
Other Liabilities	2,084,968	9,967,486	10,705,547	13,122,720	12,790,515	23,090,206
Total Liabilities	40,523,025	79,864,801	36,546,532	36,591,175	77,069,557	116,455,976
Deferred Inflows of Resources	8,177,021	3,089,526	4,770,818	1,773,554	12,947,839	4,863,080
Net Position:						
Net Investment in Capital Assets	115,413,286	124,189,936	180,859,077	201,244,854	296,272,363	325,434,790
Restricted	17,419,596	17,414,936	4,918,341	6,632,402	22,337,937	24,047,338
Unrestricted	33,607,408	29,958,313	35,768,665	39,008,313	69,376,073	68,966,626
Total Net Position	\$166,440,290	\$171,563,185	\$221,546,083	\$246,885,569	\$387,986,373	\$418,448,754

By far the largest portion (77.8%) of the City's net position is represented by \$325.4 million in investments in capital assets (e.g., land, buildings, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Watertown  
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Management's Discussion and Analysis

The restricted net position of \$24.0 million comprises 5.7% of the total net position. These assets are subject to external restrictions on how they may be used. The remaining balance of \$69.0 million, or 16.5%, in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position have internally imposed limitations which may further control the purpose for which such net position may be used.

**Changes in net position.**

The City's revenues for the year totaled \$122.1 million including approximately \$67.8 million from charges for services. This means that 56 cents of every revenue dollar came from charges for services (primarily the business-type funds such as Sewer, Solid Waste, Electric, Water and Gas). Taxes accounted for \$27.2 million of total revenues, or about 22 cents of every revenue dollar.

The City's net position increased by \$30.5 million or 7.9% during the current fiscal year as shown on the following table. This increase is attributable to the stable growth in the community requiring a substantial investment in infrastructure and other assets. More details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

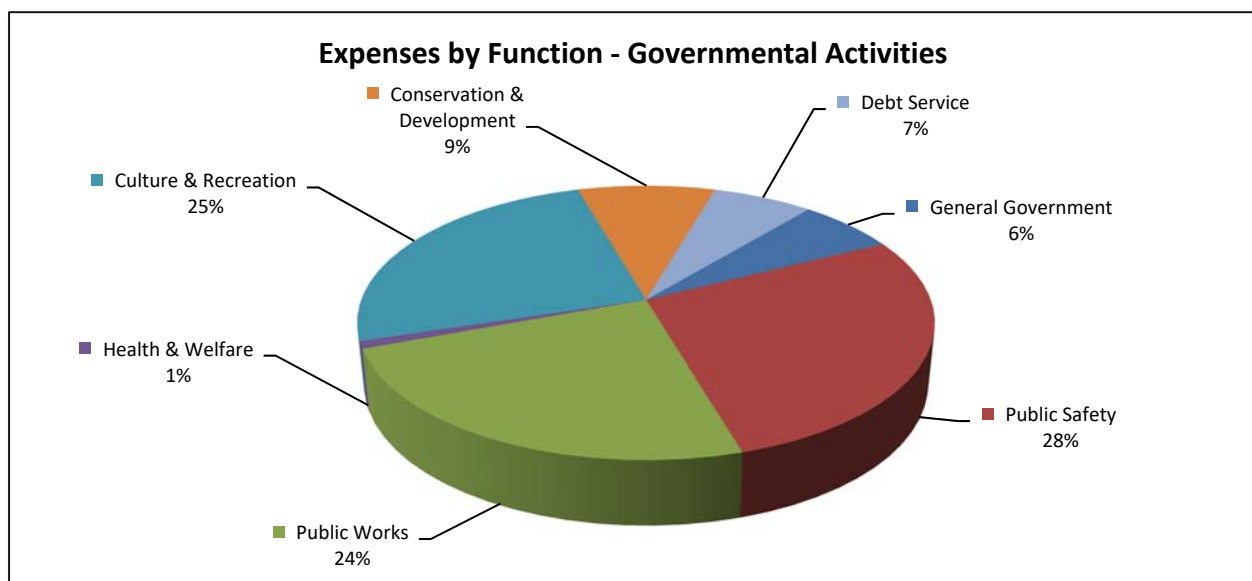
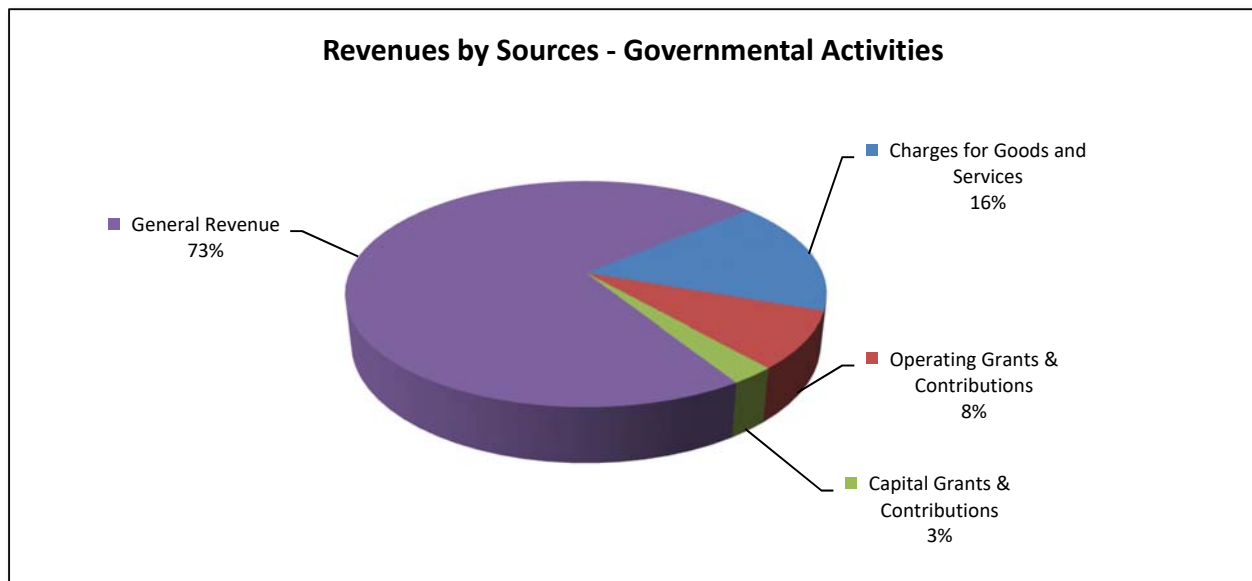
<b>Changes in Net Position</b>						
	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,157,707	\$ 6,688,280	\$ 55,416,315	\$ 61,099,432	\$ 61,574,022	\$ 67,787,712
Operating Grants and Contributions	793,916	3,312,041	758,978	1,005,627	1,552,894	4,317,668
Capital Grants and Contributions	4,176,389	1,034,911	8,967,908	18,262,515	13,144,297	19,297,426
General Revenues:						
Taxes	25,216,134	27,155,561	7,178	14,823	25,223,312	27,170,384
State Shared Revenues	281,908	279,182	-	-	281,908	279,182
Other	956,443	2,193,798	243,583	1,033,998	1,200,026	3,227,796
Total Revenues	37,582,497	40,663,773	65,393,962	81,416,395	102,976,459	122,080,168
Expenses:						
General Government	3,199,088	2,410,054	-	-	3,199,088	2,410,054
Public Safety	9,695,183	10,410,900	-	-	9,695,183	10,410,900
Public Works	5,201,069	8,951,937	-	-	5,201,069	8,951,937
Health and Welfare	205,704	331,709	-	-	205,704	331,709
Culture and Recreation	9,194,331	9,442,881	-	-	9,194,331	9,442,881
Conservation and Development	1,439,827	3,370,056	-	-	1,439,827	3,370,056
Debt Service	1,232,150	2,460,778	-	-	1,232,150	2,460,778
Sewer	-	-	3,941,358	4,199,653	3,941,358	4,199,653
Solid Waste	-	-	2,666,097	3,233,371	2,666,097	3,233,371
Airport	-	-	2,116,350	2,062,067	2,116,350	2,062,067
Electric	-	-	26,656,782	27,724,681	26,656,782	27,724,681
Water	-	-	4,501,664	4,957,186	4,501,664	4,957,186
Gas	-	-	6,954,058	11,908,351	6,954,058	11,908,351
Total Expenses	30,167,352	37,378,315	46,836,309	54,085,309	77,003,661	91,463,624
Excess (Deficiency) Before Special Items and Transfers	7,415,145	3,285,458	18,557,653	27,331,086	25,972,798	30,616,544
Transfers	(2,830,856)	1,991,600	2,830,856	(1,991,600)	-	-
Special Items	-	(154,163)	-	-	-	(154,163)
Change in Net Position	4,584,289	5,122,895	21,388,509	25,339,486	25,972,798	30,462,381
Change in Accounting Estimate	(472,746)	-	(479,322)	-	(952,068)	-
Net Position - Beginning	162,328,747	166,440,290	200,636,896	221,546,083	362,965,643	387,986,373
Net Position - Ending	\$ 166,440,290	\$ 171,563,185	\$ 221,546,083	\$ 246,885,569	\$ 387,986,373	\$ 418,448,754

## Management's Discussion and Analysis

### Governmental Activities

Governmental activities increased the City's net position by \$5.1 million, accounting for 16.8% of the total growth in the net position of the City. As previously discussed, the reason for the majority of this increase is the limitation on the use of current Capital Improvement Fund revenues largely capital asset acquisition or construction.

The following charts summarize the revenues and expenses associated with Governmental Activities:



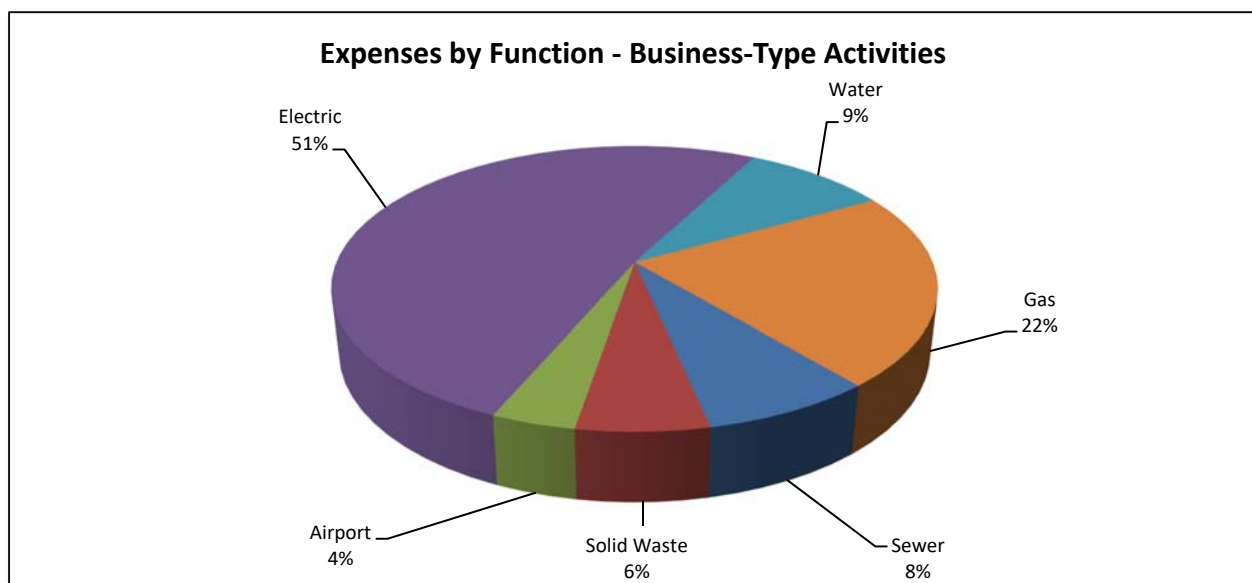
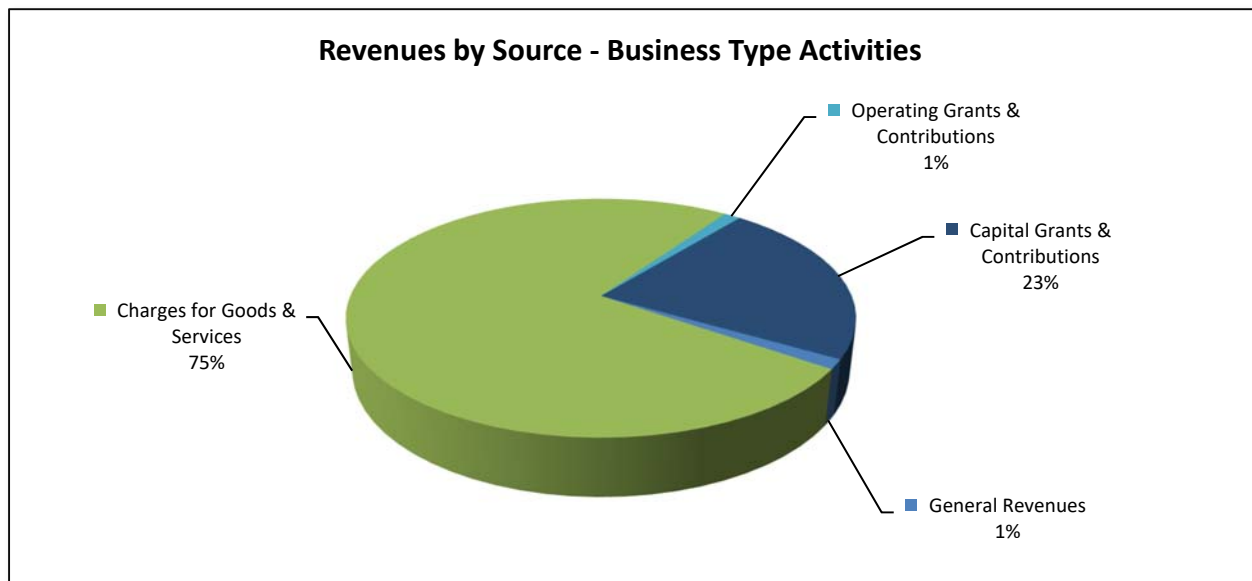
Management's Discussion and Analysis

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**Business-Type Activities**

Business-type activities increased the City's net position by \$25.3 million, accounting for 83.2% of the total growth in the City's net position. Key reasons for this increase, as previously discussed, include the large operating income of the Sewer, Electric, Water and Gas Enterprise funds.

The following charts summarize the revenues and expenses associated with Business-Type Activities:



## Management's Discussion and Analysis

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### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by statute while others are established to assist management in accounting for certain activities.

#### Governmental Funds

The accounting focus of the City'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 financing activities and abilities. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2022, the City's governmental funds reported combined fund balance total of \$79.8 million, an increase of \$30.5 million, or 61.8% from 2021. Of the total fund balance, the City has internally earmarked \$26.0 million for specific purposes which are reported as assigned for in the fund balances.

**General Fund** – The General Fund is the chief operating fund of the City. The fund balance decreased by \$499,997 or about 3.7%, from 2021. As of the end of 2022, \$2.8 million of net position are either nonspendable, restricted, or assigned in the General Fund for future capital outlay or other specified purposes. The unassigned fund balance of \$10.3 million is about 55.6% of 2022 General Fund revenues. The nonspendable, restricted, and assigned amounts will not affect the availability of fund resources for future use.

**Capital Improvement Fund** – The fund balance decreased by \$98,841 or 0.4%. This decrease resulted from projects being completed in 2022 and an increase in debt repayment. The sales tax revenues exceeded the estimated budget by \$1,711,856 or 20.1%. As of the end of 2022, there is \$1.1 million in capital outlay accumulation set aside in the Capital Improvement Fund for future capital spending.

**Capital Projects Fund (506)** – The fund balance increased by \$30.6 million or 100.0%. The significant increase is due two the issuance of three Sales Tax Revenue Bonds for various projects.

**TIF #5 Fund** – The fund balance decreased by \$4,049 or 0.1%. The development in the Tax Increment Financing District #5 continues to have slow growth which accounts for the increase in liabilities.

#### Proprietary Funds

**Sewer Fund** – Net position increased by \$4,746,458, or 7.6%, with an operating income of \$799,118. The amount of operating income equals approximately 17.1% of operating revenues for this fund. The increase in net position is attributable to the increase in rates established in 2021.

**Electric, Gas, and Water Funds** – Net position in the Electric, Gas and Water Funds increased by a combined \$8,987,644 or 8.6%. This increase resulted from overall strong operating income from electric, gas and water utility services.

**Airport Fund** – Net position increased by \$10,567,572, or 23.7%. This increase resulted from an increase in capital contributions for the Snow Removal Equipment Building and Airport Terminal as well as intergovernmental revenues.

#### General Budgetary Highlights

The final 2022 General Fund expenditure budget reflects an increase to the original budget of \$2,117,120, or about 11.0%, with the majority of this increase in the public works functional area due various project needs and equipment purchases being delayed.

Actual General Fund expenditures were about \$468,913, or 2.4%, less than the original budget. The difference between the original budgeted expenditures and actual results was due to large equipment purchases completed in the current year.

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

#### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, totals \$384,083,549 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, park facilities, roads and other infrastructure assets.

Major capital asset events during the 2022 included the following:

• Terminal Site Improvements (CIP) - \$4.5 million	• Land Purchases - \$1.7 million
• Airport Terminal Bldg. - \$14.5 million	• Ice Arena (CIP) - \$3.9 million
• Airport Snow Removal Equip. Bldg. (CIP) - \$2.3 million	• Downtown Park (CIP) - \$2.3 million
• Wastewater Primary Clarifier (CIP) - \$1.7 million	• Landfill Cell #7 (CIP) - \$2.2 million
• 3 <sup>rd</sup> Ave. Bridge & Road (CIP) - \$3.9 million	• Various Street Projects - \$1.4 million

In 2016 the City elected to apply the modified approach to accounting for infrastructure on water storage tanks. The current average tank assessment index of all water storage tanks is 9.3, which is higher than the established condition level of not less than 5. There were no significant changes in the condition levels of infrastructure assets or any significant differences between the estimated and actual amounts necessary to maintain and preserve the infrastructure assets.

Additional information on the City of Watertown's capital assets can be found in Note 3.H in the notes to the financial statements.

#### Long-term debt

At the end of 2022 the City had total debt outstanding of \$100,173,402 in General Obligation Bonds, Sales Tax Bonds and other long-term obligations. This is a increase of 55.8% or about \$35.9 million. The significant long-term debt activity for the year was the issuance of three 2022 Sales Tax Revenue Bonds.

The City has General Obligation (GO) Bonds backed by the full faith and credit of the City. Principal and interest on these GO Bonds are secured and paid using revenues generated from a special property tax levy. As of December 31, 2022 the GO Bond was paid in full.

The City has outstanding \$1,215,000 in Sales Tax Revenue Bonds, Series 2015, these bonds were the result of refinancing the 2006 Sales Tax Revenue Bond. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were used to construct the Regional Library.

The City has outstanding \$18,825,000 in Sales Tax Revenue Bonds, Series 2020, these bonds were the result of refinancing the 2012, 2014, 2015B and 2015C Sales Tax Revenue Bond. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were used to construct the Wellness Center, Premier Softball Complex and other Community Improvements.

The City has outstanding \$6,945,000 in Sales Tax Revenue Bonds, Series 2021. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the purchase and remodel of a new City Hall and 10<sup>th</sup> Ave. NE reconstruction.

The City has outstanding \$18,055,000 in Sales Tax Revenue Bonds, Series 2022. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Ice Arena.

The City has outstanding \$7,185,000 in Sales Tax Revenue Bonds, Series 2022B. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Street Facility.

## Management's Discussion and Analysis

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The City has outstanding \$10,050,000 in Sales Tax Revenue Bonds, Series 2022C. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Ice Arena.

Additional information on the City of Watertown's long-term debt can be found in Note 3.I in the notes to the financial statements.

### **Economic Outlook and Next Year's Budget**

The City adopted the 2022 budget in mid-2021 with the expectation of a stable local economy. The sales tax revenues received in 2022 showed an increase over 2021 of 11.8%. This increase was well over the anticipated growth due to conservative budgeting. The 2022 General Fund budget was established with the intention of using \$3.6 million of unassigned fund balance to fund the General Fund expenditures. As steady growth in sales tax revenues continues, the City will continue to budget conservatively to ensure a healthy fund balance is maintained to mitigate any potential negative trends in the future.

The City continues to experience a flat market in the area of retail, the current market has maintained stable sales tax growth with the collection of internet sales being charged sales tax. With the continued concern about the stability of both the local and national economy, revenues will be monitored very carefully in the coming budget year to minimize financial impacts of any negative trends to the overall City budget.

Overall, the 2023 budget reflects an increase in planned spending of \$61.5 million, or 94.3%, from the original 2022 budget. This increase is due to a large number of capital projects that are slated for construction in 2023. The sales-tax-dependent General Fund budget reflects an increase of \$1.3 million, or 6.0%. Revenues will continue to be monitored very carefully in the coming budget year to ensure adequate coverage for the planned expenditures without the use of any fund balance.

Growth of the City's property tax base increased in 2022 with an overall increase in the taxable value of real property of \$281,904,057 million reflecting a \$29.4 million increase from new property placed on the tax rolls and a \$252.5 million increase by virtue of the reappraisal process. The increase in taxable property will result in an increase of \$177,339 in General Fund property tax revenues

### **Requests for Information**

This financial report is designed to provide a comprehensive look at the City of Watertown's financial picture for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, PO Box 910, City of Watertown, Watertown, SD 57201-0910, and (605) 882-6203.



City of Watertown  
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Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
<b>ASSETS</b>				
Pooled Cash and Investments	\$ 78,444,890	\$ 35,026,448	\$ 113,471,338	\$ -
Non-Pooled Cash and Investments	-	-	-	1,424,034
Receivables, net	6,169,969	9,388,308	15,558,277	468
Due from Other Governments	357,127	2,683,512	3,040,639	-
Inventories	324,787	2,213,281	2,538,068	-
Deposits	-	3,912	3,912	-
Prepaid Expenses	235,094	390,890	625,984	20,944
Internal Balances	(1,118,812)	1,118,812	-	-
Net Pension Asset	52,209	30,033	82,242	693
Restricted Pooled Cash and Investments	4,473,960	6,933,063	11,407,023	-
Capital Assets:				
Land and Construction in Progress	32,424,173	20,859,500	53,283,673	291,433
Other Capital Assets, Net of Depreciation	127,819,199	202,980,677	330,799,876	596,409
Total assets	249,182,596	281,628,436	530,811,032	2,333,981
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	4,732,629	2,728,994	7,461,623	63,186
OPEB Related Deferred Outflows	602,287	892,868	1,495,155	-
Total Deferred Outflows of Resources	5,334,916	3,621,862	8,956,778	63,186
<b>LIABILITIES</b>				
Accounts Payable	4,539,921	6,812,956	11,352,877	123,722
Salaries Payable	-	154,609	154,609	-
Retainage Payable	718,454	740,337	1,458,791	-
Accrued Interest Payable	267,479	113,415	380,894	-
Other Accrued Expenses	-	-	-	15,438
Customer Deposits	-	812,190	812,190	20,705
Revenues Collected in Advance	-	827,896	827,896	-
Unearned Revenue	506,232	789,085	1,295,317	-
Long-term Liabilities:				
Due within one year	3,935,400	2,872,232	6,807,632	-
Due in more than one year	69,897,315	23,468,455	93,365,770	-
Total liabilities	79,864,801	36,591,175	116,455,976	159,865
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related Deferred Inflows	3,042,328	1,758,843	4,801,171	40,435
OPEB Related Deferred Inflows	47,198	14,711	61,909	-
Total Deferred Inflows of Resources	3,089,526	1,773,554	4,863,080	40,435
<b>NET POSITION</b>				
Net Investment in Capital Assets	124,189,936	201,244,854	325,434,790	887,842
Restricted for Cemetery Perpetual Care:				
Expendable	6,024	-	6,024	-
Nonexpendable	50,000	-	50,000	-
Restricted for Conservation & Development	140,085	-	140,085	-
Restricted for Culture & Recreation	3,108,791	-	3,108,791	-
Restricted for Debt Service	4,550,026	2,725,203	7,275,229	-
Restricted for Capital Projects	6,895,782	-	6,895,782	-
Restricted for Public Safety	921,718	-	921,718	-
Restricted for Operation & Maintenance	-	652,333	652,333	-
Restricted for Replacement & Depreciation	-	2,254,681	2,254,681	-
Restricted for SDRS Pension Purposes	1,742,510	1,000,185	2,742,695	23,444
Restricted for Housing Assistance Payments	-	-	-	16,254
Unrestricted	29,958,313	39,008,313	68,966,626	1,269,327
Total net position	\$ 171,563,185	\$ 246,885,569	\$ 418,448,754	\$ 2,196,867

The notes to the financial statements are an integral part of this statement.

City of Watertown  
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Year Ended December 31, 2022

Statement of Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General Government	\$ 2,410,054	\$ 186,795	\$ 34,850	\$ 8,228
Public Safety	10,410,900	2,087,242	419,400	62,110
Public Works	8,951,937	299,091	704,060	917,127
Health and Welfare	331,709	-	9,222	-
Culture and Recreation	9,442,881	3,710,276	2,144,509	47,446
Conservation and Development	3,370,056	404,876	-	-
Interest on Long-Term Debt	2,460,778	-	-	-
Total governmental activities	37,378,315	6,688,280	3,312,041	1,034,911
Business-Type Activities:				
Sewer	4,199,653	4,673,915	-	4,450,000
Solid Waste	3,233,371	3,786,514	-	608,334
Airport	2,062,067	924,434	897,385	10,792,997
Electric	27,724,681	32,515,228	108,242	642,112
Water	4,957,186	7,548,860	-	1,655,059
Gas	11,908,351	11,650,481	-	114,013
Total business-type activities	54,085,309	61,099,432	1,005,627	18,262,515
Total primary government	91,463,624	67,787,712	4,317,668	19,297,426
<b>Component units:</b>				
Watertown Housing and Redev.	1,269,008	399,748	935,052	160,377
Total Component Units	\$ 1,269,008	\$ 399,748	\$ 935,052	\$ 160,377

General revenues:

Taxes

Property Taxes

Sales and Use Taxes

Other Taxes

State Shared Revenues

Interest Earned

Other Miscellaneous

Sale of Capital Assets

Special Items

Transfers

Total general revenues, special items, extraordinary item and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements are an integral part of this statement.

City of Watertown  
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Year Ended December 31, 2022

Statement of Activities (continued)

Net(Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
\$ (2,180,181)	\$ -	\$ (2,180,181)	\$ -
(7,842,148)	-	(7,842,148)	-
(7,031,659)	-	(7,031,659)	-
(322,487)	-	(322,487)	-
(3,540,650)	-	(3,540,650)	-
(2,965,180)	-	(2,965,180)	-
(2,460,778)	-	(2,460,778)	-
(26,343,083)	-	(26,343,083)	-
-	4,924,262	4,924,262	-
-	1,161,477	1,161,477	-
-	10,552,749	10,552,749	-
-	5,540,901	5,540,901	-
-	4,246,733	4,246,733	-
-	(143,857)	(143,857)	-
-	26,282,265	26,282,265	-
(26,343,083)	26,282,265	(60,818)	-
			226,169
			\$ 226,169
5,266,687	-	5,266,687	-
21,573,383	-	21,573,383	-
315,491	14,823	330,314	-
279,182	-	279,182	-
1,623,998	994,976	2,618,974	1,814
390,139	-	390,139	-
179,661	39,022	218,683	-
(154,163)	-	(154,163)	-
1,991,600	(1,991,600)	-	-
31,465,978	(942,779)	30,523,199	1,814
5,122,895	25,339,486	30,462,381	227,983
166,440,290	221,546,083	387,986,373	1,968,884
\$ 171,563,185	\$ 246,885,569	\$ 418,448,754	\$ 2,196,867

The notes to the financial statements are an integral part of this statement.

City of Watertown  
Annual Comprehensive Financial Report  
December 31, 2022

Balance Sheet - Governmental Funds

	General Fund	Capital Improvement Fund	TIF #5 Fund	Capital Projects Fund (506)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Pooled Cash and Investments	\$ 12,328,665	\$ 16,724,314	\$ 8,331	\$ 33,389,834	\$ 15,993,746	\$ 78,444,890
Property Taxes Receivable	32,552	-	-	-	1,010	33,562
Sales Tax Receivable	979,936	979,936	-	-	91,589	2,051,461
Accounts Receivable	703,129	486,209	-	-	222,831	1,412,169
Special Assessments Receivable	477,147	237,939	-	-	366	715,452
Loans Receivable	-	158,428	-	-	1,798,897	1,957,325
Due From Other Funds	728,823	-	-	-	-	728,823
Due From Other Governments	155,808	167,030	-	-	34,289	357,127
Inventory	234,042	-	-	-	90,745	324,787
Advance To Other Fund	-	4,570,447	-	-	-	4,570,447
Prepaid Insurance Premium	-	235,094	-	-	-	235,094
Restricted Assets:						
Pooled Cash and Investments	71,821	4,399,081	-	-	3,058	4,473,960
Total assets	<u>15,711,923</u>	<u>27,958,478</u>	<u>8,331</u>	<u>33,389,834</u>	<u>18,236,531</u>	<u>95,305,097</u>
<b>LIABILITIES</b>						
Accounts Payable	1,058,503	523,787	-	2,699,093	258,538	4,539,921
Retainage Payable	-	585,925	-	132,529	-	718,454
Advance From Other Fund	-	-	3,167,549	-	3,250,533	6,418,082
Total liabilities	<u>1,058,503</u>	<u>1,109,712</u>	<u>3,167,549</u>	<u>2,831,622</u>	<u>3,509,071</u>	<u>11,676,457</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	1,487,353	2,037,093	-	-	326,466	3,850,912
Total Deferred Inflows of Resources	<u>1,487,353</u>	<u>2,037,093</u>	<u>-</u>	<u>-</u>	<u>326,466</u>	<u>3,850,912</u>
<b>FUND BALANCES</b>						
Nonspendable for:						
Inventory	234,042	-	-	-	90,745	324,787
Cemetery Perpetual Care	50,000	-	-	-	-	50,000
Restricted for:						
Debt Service	-	4,399,081	-	-	150,945	4,550,026
Capital Projects	-	-	-	30,558,212	10,372,188	40,930,400
BBB Sales Tax	-	-	-	-	1,030,507	1,030,507
Event Center	-	-	-	-	3,058	3,058
Big Sioux River Project	-	-	-	-	78,641	78,641
E-911 Services	-	-	-	-	921,718	921,718
Library	-	-	-	-	161,898	161,898
Cable TV Security	15,797	-	-	-	-	15,797
Cemetery Perpetual Care	6,024	-	-	-	-	6,024
Casualty Reserve	-	-	-	-	31,148	31,148
Assigned for:						
Capital Outlay	2,092,515	1,125,716	-	-	-	3,218,231
Land	-	90,277	-	-	-	90,277
Group Health Premium	429,467	-	-	-	-	429,467
Park Development	-	-	-	-	71,308	71,308
Golf Course	-	-	-	-	8,100	8,100
Zoo Improvements	-	-	-	-	2,284	2,284
Advances	-	4,570,447	-	-	-	4,570,447
Other Purposes	15,200	14,626,152	-	-	2,928,089	17,569,441
Unassigned:	10,323,022	-	(3,159,218)	-	(1,449,635)	5,714,169
Total fund balances	<u>13,166,067</u>	<u>24,811,673</u>	<u>(3,159,218)</u>	<u>30,558,212</u>	<u>14,400,994</u>	<u>79,777,728</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,711,923</u>	<u>\$ 27,958,478</u>	<u>\$ 8,331</u>	<u>\$ 33,389,834</u>	<u>\$ 18,236,531</u>	<u>\$ 95,305,097</u>

The notes to the financial statements are an integral part of this statement.

City of Watertown  
Annual Comprehensive Financial Report  
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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Fund balances of governmental funds		\$ 79,777,728
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	214,851,779	
Accumulated Depreciation	(54,608,407)	160,243,372
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds. The costs associated with issuance of long-term debt are reported as assets in the government-wide financial statements for future interest payments and amortized as an adjustment to interest expense in the statement of activities over the life of the debt.		
2015 Revenue Bonds - Refunding	(1,215,000)	
2020 Revenue Bonds - Refunding	(18,825,000)	
2021 Revenue Bonds	(6,945,000)	
2022 Revenue Bonds	(18,055,000)	
2022 Revenue Bonds - 2022B	(7,185,000)	
2023 Revenue Bonds - 2022C	(10,050,000)	
2021 Tax Increment Bonds - TIF #11	(1,930,199)	
SRF Loan #6 - CW	(436,390)	
SRF Loan #6 - NPS	(38,157)	
SRF Loan #8 - CW	(190,000)	
SRF Loan #8 - NPS	(21,259)	
SRF Loan #10 - CW	(1,339,130)	
SRF Loan #11 - CW	(105,637)	
Unamortized Premiums on Bonds	(3,752,282)	
Accrued Interest Payable	(267,479)	
Other Post Employment Benefits	(1,403,204)	
Compensated Absences	(2,341,457)	(74,100,194)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		
		52,209
Pension related deferred outflows are components of pension asset and therefore not reported in the funds.		
		4,732,629
Pension related deferred inflows are components of pension asset and therefore not reported in the funds.		
		(3,042,328)
Net OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds.		
		555,089
Assets such as interest receivable, sales tax and special assessments receivables are not available to pay for current expenditures and therefore are deferred in the funds.		
Special Assessments	208,854	
Franchise Fees	34,994	
E-911 Surcharges	106,545	
Grants	374,961	
Contributions	615,870	
Miscellaneous Revenue	3,950	
General Sales and Use Tax	1,999,506	3,344,680
Net Position of governmental activities		\$ 171,563,185

**The notes to the financial statements are an integral part of this statement.**

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	General Fund	Capital Improvement Fund	TIF #5 Fund	Capital Projects Fund (506)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Tax Revenue						
Property	\$ 3,934,422	\$ -	\$ 217,205	\$ -	\$ 1,115,060	\$ 5,266,687
Sales	10,211,856	10,211,856	-	-	1,162,813	21,586,525
Other Taxes	298,545	-	-	-	-	298,545
Licenses and Permits	561,098	-	-	-	-	561,098
Intergovernmental	1,315,614	2,276,084	-	-	143,373	3,735,071
Charges for Goods and Services	1,684,222	-	-	-	4,167,067	5,851,289
Fines and Forfeits	20,759	-	-	-	9,831	30,590
Interest Revenue	208,270	767,355	-	336,666	312,762	1,625,053
Rentals	-	-	-	-	162,264	162,264
Special Assessments	114,308	-	-	-	-	114,308
Donations/Contributions	93,311	2,070,000	-	-	145,711	2,309,022
Miscellaneous	140,199	159,889	-	-	86,101	386,189
Total revenues	<u>18,582,604</u>	<u>15,485,184</u>	<u>217,205</u>	<u>336,666</u>	<u>7,304,982</u>	<u>41,926,641</u>
<b>EXPENDITURES</b>						
Current:						
General Government	3,365,002	-	-	-	258,365	3,623,367
Public Safety	8,914,817	-	-	-	1,072,980	9,987,797
Public Works	3,840,784	8,463,135	-	-	998,120	13,302,039
Health and Welfare	331,104	-	-	-	-	331,104
Culture and Recreation	1,842,906	2,655,116	-	4,233,495	6,665,834	15,397,351
Conservation and Development	455,054	76,958	-	-	2,697,158	3,229,170
Debt Service	-	4,527,726	221,254	382,277	763,721	5,894,978
Total expenditures	<u>18,749,667</u>	<u>15,722,935</u>	<u>221,254</u>	<u>4,615,772</u>	<u>12,456,178</u>	<u>51,765,806</u>
Excess (deficiency) of revenues over expenditures	<u>(167,063)</u>	<u>(237,751)</u>	<u>(4,049)</u>	<u>(4,279,106)</u>	<u>(5,151,196)</u>	<u>(9,839,165)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Municipal Property	466	199,216	-	-	17,700	217,382
Bond Issuance	-	239,694	-	28,380,306	7,310,000	35,930,000
Premium on Bonds Issued	-	-	-	2,010,404	302,952	2,313,356
Transfers In	1,991,600	-	-	4,446,608	3,925,000	10,363,208
Transfers Out	(2,325,000)	(300,000)	-	-	(5,746,608)	(8,371,608)
Total other financing sources (uses)	<u>(332,934)</u>	<u>138,910</u>	<u>-</u>	<u>34,837,318</u>	<u>5,809,044</u>	<u>40,452,338</u>
Special Items	-	-	-	-	(154,163)	(154,163)
Net Change in Fund Balances	(499,997)	(98,841)	(4,049)	30,558,212	503,685	30,459,010
Fund balances -- beginning	<u>13,666,064</u>	<u>24,910,514</u>	<u>(3,155,169)</u>	<u>-</u>	<u>13,897,309</u>	<u>49,318,718</u>
Fund balances -- ending	<u>\$ 13,166,067</u>	<u>\$ 24,811,673</u>	<u>(\$ 3,159,218)</u>	<u>\$ 30,558,212</u>	<u>\$ 14,400,994</u>	<u>\$ 79,777,728</u>

The notes to the financial statements are an integral part of this statement.

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities

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Net change in fund balances --total governmental funds \$ 30,459,010

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Expenditure for Capital Assets	15,508,273	
Less Current Depreciation	<u>(4,088,953)</u>	11,419,320

In the statement of activities, the gain and loss on disposal of assets and transfer of assets are reported, whereas in the governmental funds, the disposal of capital assets and transfer of assets are not reflected.

(67,044)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Changes in deferred revenue:

Interest	(1,055)	
Special Assessments	(29,831)	
Sales Taxes	(13,142)	
Franchise Fees	16,946	
E-911 Surcharges	(1,438)	
Contributions	(83,870)	
Miscellaneous Revenue	3,950	
Grants	<u>(1,607,690)</u>	(1,716,130)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Issuance of Bonds	(35,930,000)	
Premiums on Bonds Issued	(2,313,356)	
Amortized Premium on Bonds	174,856	
Repayment of Bond Principal	<u>3,444,556</u>	(34,623,944)

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.

(334,877)

Governmental funds do not reflect the change in Other Post Employment Benefits (OPEB), but the statement of activities reflects the change in OPEB through expenditures.

(119,549)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.

291,321

Expenses in the Statement of Activities that do not require current financial resources and are not reported in the fund financial statements:

Change in Accrued Interest Payable	(185,212)
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Change in net position of governmental activities	<u>\$ 5,122,895</u>
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***The notes to the financial statements are an integral part of this statement.***

City of Watertown  
Annual Comprehensive Financial Report  
December 31, 2022

Statement of Net Position - Proprietary Funds

	Sewer Fund	Electric Fund	Water Fund
<b>ASSETS</b>			
Current assets:			
Pooled Cash and Investments	\$ 3,998,715	\$ 19,524,958	\$ 1,853,446
Accounts Receivable	393,615	2,827,315	2,147,663
Unbilled Accounts Receivable	-	815,479	209,135
Other Receivable	-	-	69,605
Due From Other Funds	-	2,000,000	-
Due From Other Governments	99,061	-	-
Advance To Other Fund	1,847,636	-	-
Inventory	311,722	1,031,793	509,463
Deposit for Flexible Spending	-	3,912	-
Prepaid Expense	-	186,892	84,256
Net Pension Asset	3,303	10,460	4,706
Restricted Pooled Cash and Investments	3,207,518	-	2,424,699
Total Current assets:	9,861,570	26,400,809	7,302,973
Noncurrent assets:			
Land	1,737,749	464,914	510,669
Buildings and Structures	44,160,907	6,949,141	22,159,460
Furniture Equipment Machinery	1,795,893	2,487,448	866,837
Improvements Other Than Buildings	56,071,966	58,676,223	38,484,147
Intangible Property	-	-	-
Construction in Progress	2,999,432	70,140	2,893,719
Accumulated Depreciation	(36,505,781)	(34,351,725)	(23,995,340)
Accumulated Amortization	-	(134,746)	(64,976)
Total Noncurrent assets:	70,260,166	34,161,395	40,854,516
Total assets	80,121,736	60,562,204	48,157,489
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	302,110	946,845	430,499
OPEB Related Deferred Outflows	44,871	352,440	186,084
Total Deferred Outflows of Resources	346,981	1,299,285	616,583
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	227,275	2,623,187	832,989
Salaries Payable	-	72,149	38,348
Retainage Payable	122,141	-	44,464
Revenues Collected in Advance	-	669,866	62,605
Due to Other Funds	-	2,173	8,200,395
Loans Payable	956,083	-	1,449,848
Accrued Interest Payable	70,329	-	34,034
Accrued Vacation and Sick Leave	55,692	142,223	70,646
Unearned Revenue	-	789,085	-
Customer Deposits	-	812,190	-
Total Current liabilities:	1,431,520	5,110,873	10,733,329
Noncurrent liabilities:			
Accrued Vacation and Sick Leave	167,077	426,669	211,938
Net OPEB Liability	105,070	557,312	298,344
Closure/Post Closure Liability	-	-	-
Loans Payable	11,284,574	-	6,680,601
Total Noncurrent liabilities:	11,556,721	983,981	7,190,883
Total liabilities	12,988,241	6,094,854	17,924,212
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Deferred Inflows	192,562	612,414	275,068
OPEB Related Deferred Inflows	3,656	2,481	1,441
Total Deferred Inflows of Resources	196,218	614,895	276,509
<b>NET POSITION</b>			
Net Investment in Capital Assets	57,897,368	34,161,395	32,679,603
Restricted for SDRS Pension Purposes	112,851	344,891	160,138
Restricted for SRF O&M	216,710	-	435,623
Restricted for SRF R&D	2,254,681	-	-
Restricted for Debt Service	736,127	-	1,989,076
Unrestricted	6,066,521	20,645,454	(4,691,089)
Total net position	\$ 67,284,258	\$ 55,151,740	\$ 30,573,351

The notes to the financial statements are an integral part of this statement.



City of Watertown  
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Statement of Net Position - Proprietary Funds (continued)

Gas Fund		Airport Fund		Other Proprietary Funds		Total Proprietary Funds	
\$	6,249,873	\$	-	\$	3,399,456	\$	35,026,448
	1,856,663		12,969		305,194		7,543,419
	750,670		-		-		1,775,284
	-		-		-		69,605
	6,200,000		-		-		8,200,000
	-		2,399,499		184,952		2,683,512
	-		-		-		1,847,636
	295,981		40,530		23,792		2,213,281
	-		-		-		3,912
	119,742		-		-		390,890
	6,647		1,418		3,499		30,033
	-		-		1,300,846		6,933,063
	15,479,576		2,454,416		5,217,739		66,717,083
	58,131		248,400		685,743		3,705,606
	1,602,805		16,859,610		993,472		92,725,395
	1,099,180		4,497,556		5,967,646		16,714,560
	21,229,063		37,018,770		6,108,854		217,589,023
	3,930,745		-		-		3,930,745
	-		8,959,495		2,231,108		17,153,894
	(12,849,312)		(13,460,404)		(5,995,092)		(127,157,654)
	(621,670)		-		-		(821,392)
	14,448,942		54,123,427		9,991,731		223,840,177
	29,928,518		56,577,843		15,209,470		290,557,260
	601,233		130,056		318,251		2,728,994
	236,227		22,186		51,060		892,868
	837,460		152,242		369,311		3,621,862
	1,904,303		269,120		956,082		6,812,956
	44,112		-		-		154,609
	-		462,057		111,675		740,337
	95,425		-		-		827,896
	1,383		724,873		-		8,928,824
	-		-		44,767		2,450,698
	-		-		9,052		113,415
	106,515		5,266		41,192		421,534
	-		-		-		789,085
	-		-		-		812,190
	2,151,738		1,461,316		1,162,768		22,051,544
	319,545		15,799		123,578		1,264,606
	373,012		45,413		119,564		1,498,715
	-		-		1,300,846		1,300,846
	-		-		1,439,113		19,404,288
	692,557		61,212		2,983,101		23,468,455
	2,844,295		1,522,528		4,145,869		45,519,999
	389,097		85,762		203,940		1,758,843
	1,646		1,327		4,160		14,711
	390,743		87,089		208,100		1,773,554
	14,448,942		53,661,370		8,396,176		201,244,854
	218,783		45,712		117,810		1,000,185
	-		-		-		652,333
	-		-		-		2,254,681
	-		-		-		2,725,203
	12,863,215		1,413,386		2,710,826		39,008,313
\$	27,530,940	\$	55,120,468	\$	11,224,812	\$	246,885,569

The notes to the financial statements are an integral part of this statement.

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

	Sewer Fund	Electric Fund	Water Fund
<b>OPERATING REVENUES</b>			
Charges for Goods and Services	\$ 2,434,131	\$ 31,553,351	\$ 4,478,033
Miscellaneous	6,582	120,468	217,018
Revenues from Transmission of Electricity	-	793,907	-
Rentals	-	47,502	338,407
Revenue Dedicated to Servicing Debt	2,233,202	-	2,515,402
Total operating revenues	4,673,915	32,515,228	7,548,860
<b>OPERATING EXPENSES</b>			
Personal Services	1,116,573	-	-
Supplies	84,070	-	-
Utilities	293,571	-	-
Other Charges	612,498	-	-
Production	-	18,920,696	1,818,698
Distribution	-	3,148,762	1,155,440
Transmission	-	2,626,459	-
Accounts and Commercial	-	789,801	146,489
Administrative and General	-	802,736	348,379
Administrative and General - Employer Pension	-	(61,254)	(21,700)
Other Miscellaneous Expense	-	61,133	41,082
Depreciation	1,768,085	1,431,757	1,351,675
Amortization	-	4,591	2,296
Total operating expenses	3,874,797	27,724,681	4,842,359
Operating Income (Loss)	799,118	4,790,547	2,706,501
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Tax Revenue	-	-	-
Intergovernmental	-	108,242	-
Interest Revenue	190,674	445,978	111,845
Bond Issuance Cost	-	-	-
Interest Expense	(204,856)	-	(114,827)
Contributions	(120,000)	-	-
Gain(Loss) on Disposition of Capital Assets	12,022	-	-
Total nonoperating revenues (expenses)	(122,160)	554,220	(2,982)
Income (loss) before contributions and transfers	676,958	5,344,767	2,703,519
Transfers Out	(380,500)	(1,032,075)	-
Capital Contributions	4,450,000	642,112	1,655,059
Change in net position	4,746,458	4,954,804	4,358,578
Total net position -- beginning	62,537,800	50,196,936	26,214,773
Total net position -- ending	\$ 67,284,258	\$ 55,151,740	\$ 30,573,351

The notes to the financial statements are an integral part of this statement.

City of Watertown  
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Year Ended December 31, 2022

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds(continued)

Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
\$ 11,557,947	\$ 125,100	\$ 3,746,365	\$ 53,894,927
84,587	563,347	40,149	1,032,151
-	-	-	793,907
7,947	235,987	-	629,843
-	-	-	4,748,604
11,650,481	924,434	3,786,514	61,099,432
-	502,617	1,256,198	2,875,388
-	63,244	357,875	505,189
-	95,196	49,461	438,228
-	545,244	948,406	2,106,148
8,593,490	-	-	29,332,884
1,766,203	-	-	6,070,405
-	-	-	2,626,459
499,424	-	-	1,435,714
492,913	-	-	1,644,028
(40,055)	-	-	(123,009)
84,156	-	-	186,371
392,582	855,766	514,027	6,313,892
119,638	-	-	126,525
11,908,351	2,062,067	3,125,967	53,538,222
(257,870)	(1,137,633)	660,547	7,561,210
-	14,823	-	14,823
-	897,385	-	1,005,627
162,144	-	84,335	994,976
-	-	(17,005)	(17,005)
-	-	(10,399)	(330,082)
-	-	(80,000)	(200,000)
-	-	27,000	39,022
162,144	912,208	3,931	1,507,361
(95,726)	(225,425)	664,478	9,068,571
(344,025)	-	(235,000)	(1,991,600)
114,013	10,792,997	608,334	18,262,515
(325,738)	10,567,572	1,037,812	25,339,486
27,856,678	44,552,896	10,187,000	221,546,083
\$ 27,530,940	\$ 55,120,468	\$ 11,224,812	\$ 246,885,569

The notes to the financial statements are an integral part of this statement.

City of Watertown  
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Statement of Cash Flows - Proprietary Funds

	Sewer Fund	Electric Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Receipts from Customer Including Deposits	\$ 4,711,972	\$ 30,070,704
Cash Receipts for Interfund Services Provided	34,442	1,566,504
Payments to Suppliers	(1,150,360)	(23,093,667)
Payments to Employees	(1,102,360)	(3,645,738)
Payments for Interfund Services Used	(286,778)	(43,846)
Other Operating Cash Receipts	6,582	674,375
Net cash provided (used) by operating activities	2,213,498	5,528,332
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Interfund Loans	-	-
Repayments of Interfund Loans	-	(2,000,000)
Tax Revenue	-	-
Intergovernmental Revenue	-	108,242
Contribution	(120,000)	-
Transfers Out	(380,500)	(1,032,075)
Net cash provided (used) by noncapital financing activities	(500,500)	(2,923,833)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,181,319)	(2,317,489)
Interest payments on SRF Loan	(242,470)	-
Unamortized Premiums on Bonds Issued	(12,312)	-
Proceeds from SRF Loan	1,634,909	-
Cost of Bond Issuance	-	-
Principal payments on SRF Loan	(807,242)	-
Capital Contribution	4,450,000	642,112
Retirement Work in Progress	-	(56,818)
Proceeds from sales of capital assets	22	-
Net cash provided (used) by capital and related financing activities	2,841,588	(1,732,195)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	67,848	446,359
Net cash provided by investing activities	67,848	446,359
Net increase (decrease) in cash and cash equivalents	4,622,434	1,318,663
Pooled Cash and Investments - beginning of year	2,583,799	18,206,295
Pooled Cash and Investments - end of year	7,206,233	19,524,958
Less Restricted Pooled Cash and Investments	(3,207,518)	-
Pooled Cash and Investments Per Balance Sheet	\$ 3,998,715	\$ 19,524,958
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 799,118	\$ 4,790,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,768,085	1,436,348
Changes in assets and Liabilities:		
Accounts Payable - Other	(369,245)	(111,785)
Accounts Payable	-	(283,386)
Customer Receivables	79,081	27,672
Net Pension Asset	284,877	822,948
Deferred Outflows Related to Pensions	64,649	117,514
Deferred Outflows Related to OPEB	(22,300)	(128,404)
Inventory	(77,754)	(206,250)
Other Operating Receivables	-	(17,714)
Other Post Employment Benefits	31,757	132,915
Deferred Inflows Related to Pensions	(364,960)	(1,001,716)
Deferred Inflows Related to OPEB	(667)	(549)
Unearned Revenue	-	(101,817)
Salaries & Benefits Payable	20,857	52,009
Net Cash provided (used) by operating activities	\$ 2,213,498	\$ 5,528,332

The notes to the financial statements are an integral part of this statement.

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Statement of Cash Flows - Proprietary Funds (continued)

Water Fund	Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
\$ 5,247,524	\$ 10,278,141	\$ 352,897	\$ 3,779,850	\$ 54,441,088
758,235	382,361	-	-	2,741,542
(1,002,982)	(8,413,366)	(2,337,561)	(514,210)	(36,512,146)
(1,561,335)	(2,327,036)	(540,020)	(1,286,880)	(10,463,369)
(582,358)	(20,736)	-	-	(933,718)
(8,063)	-	563,347	40,149	1,276,390
2,851,021	(100,636)	(1,961,337)	2,018,909	10,549,787
2,000,000	-	724,873	-	2,724,873
-	-	-	-	(2,000,000)
-	-	14,823	-	14,823
-	-	897,385	-	1,005,627
-	-	-	(80,000)	(200,000)
-	(344,025)	-	(235,000)	(1,991,600)
2,000,000	(344,025)	1,637,081	(315,000)	(446,277)
(5,883,521)	(1,530,648)	(12,088,728)	(2,831,212)	(26,832,917)
(118,365)	-	-	(1,347)	(362,182)
(24,848)	-	-	-	(37,160)
-	-	-	1,293,173	2,928,082
-	-	-	(17,005)	(17,005)
(1,415,000)	-	-	(15,264)	(2,237,506)
1,655,060	114,012	10,637,633	558,209	18,057,026
-	-	-	-	(56,818)
-	-	-	-	22
(5,786,674)	(1,416,636)	(1,451,095)	(1,013,446)	(8,558,458)
111,845	162,444	-	84,383	872,879
111,845	162,444	-	84,383	872,879
(823,808)	(1,698,853)	(1,775,351)	774,846	2,417,931
5,101,953	7,948,726	1,775,351	3,925,456	39,541,580
4,278,145	6,249,873	-	4,700,302	41,959,511
(2,424,699)	-	-	(1,300,846)	(6,933,063)
\$ 1,853,446	\$ 6,249,873	\$ -	\$ 3,399,456	\$ 35,026,448
\$ 2,706,501	\$ (257,870)	\$ (1,137,633)	\$ 660,547	\$ 7,561,210
1,353,971	512,220	855,766	514,027	6,440,417
-	(5,000)	(80)	(108)	(486,218)
278,204	645,527	(1,628,847)	840,336	(148,166)
(1,543,102)	(984,979)	(8,190)	33,485	(2,396,033)
384,797	527,369	110,705	289,838	2,420,534
73,283	80,394	12,863	56,774	405,477
(73,846)	(85,275)	(12,304)	(25,376)	(347,505)
81,122	19,105	(4,950)	1,304	(187,423)
(8,063)	-	-	-	(25,777)
73,842	88,610	17,521	36,137	380,782
(479,780)	(647,817)	(136,485)	(363,493)	(2,994,251)
(305)	(366)	(368)	(759)	(3,014)
-	-	-	-	(101,817)
4,397	7,446	(29,335)	(23,803)	31,571
\$ 2,851,021	\$ (100,636)	\$ (1,961,337)	\$ 2,018,909	\$ 10,549,787

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

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**NOTE 1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Watertown is a municipal corporation governed by an elected six member City Council. An elected mayor presides at the Council meetings and is a voting member. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is separate from the City.

Discretely Presented Component Unit: The Housing and Redevelopment Commission of the City of Watertown, South Dakota, is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Council, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other employees. The City Council, though, retains the statutory authority to approve, deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City Council the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the entity's administrative office at 24 W. Kemp Ave, Watertown, South Dakota 57201.

**B. Basis of Presentation**

The basic financial statements are prepared in conformity with GASB Statement No. 34 and presented on both the government-wide and fund financial level. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions the City has changed accounting policies. This important new standard has left the total amount reported as fund balance unchanged, but has altered the categories and terminology.

With the implementation of GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position the City has changed accounting policies. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, Elements of Financial Statements.

With the implementation of GASB Statement No. 65 Items Previously Reported as Assets and Liabilities the City has changed accounting policies. This statement provides guidance for proper classification of previously reported assets and liabilities in accordance with Concepts Statement No. 4, Elements of Financial Statements.

With the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, an Amendment to GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68 the City has changed accounting policies. These statements provide guidance for proper accounting and financial reporting for pensions.

With the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions the City has changed accounting policies. This statement provides improved accounting and financial reporting for postemployment benefits other than pensions.

With the implementation of GASB Statement No. 84 Fiduciary Activities, the City has changed accounting policies. This statement provides improved guidance regarding the identification of fiduciary activities and how those activities are reported.

## Notes to the Financial Statements

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With the implementation of GASB Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period, the City has changed accounting policies. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of the construction period.

### *Government-wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A., above, and may be classified as either governmental or business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients for goods and services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### *Fund Financial Statements*

Fund 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 that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. 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 (General Fund) or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and,
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined; or,
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

### **Governmental Funds:**

*General Fund* – the General Fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

*Special Revenue Funds* – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Funds* – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

## Notes to the Financial Statements

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*Capital Projects Funds* – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

### **Proprietary Funds:**

*Enterprise Funds* – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major governmental funds:

The *General Fund* is the government's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue sources include taxes, licenses and permits, intergovernmental revenue, charges for goods and services, fines and forfeits, and miscellaneous revenue. In addition to general government, primary expenditures include public safety, public works, health and welfare, culture and recreation and conservation and development.

The *Capital Improvement Fund* accounts for the capital improvement projects and debt service funded by the second penny City sales tax.

*Tax Increment Financing 5 Fund* accounts for the revenues and expenditures of the Tax Increment District (TID) #5. This TID was created to capture the incremental tax revenue generated by development of the 1<sup>st</sup> Avenue North Extension area and to pay for road construction costs.

*Capital Projects Fund (506)* accounts for the revenues and expenditures for the new Ice Arena Complex. This fund captures all revenue received from the issuance of Sales Tax Revenue Bonds.

*Other Governmental Funds* is a summarization of all of the non-major governmental funds. These include additional special revenue funds, debt service fund and capital projects funds.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the government's sanitary sewer collection and treatment operations and storm water management system.

The *Electric Fund* accounts for the activities of the government's electric distribution operations.

The *Water Fund* accounts for the activities of the government's water distribution operations.

The *Gas Fund* accounts for the activities of the government's natural gas distribution operations.

The *Airport Fund* accounts for the activities of the government's airport operations.

*Other Proprietary Funds* is a summarization of all of the non-major proprietary funds. This includes the Solid Waste Fund.



## Notes to the Financial Statements

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### **C. Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues and expenditures are recorded when they occur regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes that have become due and payable, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 expenses of the 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then, unrestricted resources as they are needed. Resources restricted to a greater degree are utilized before resources having lesser restrictions.

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension asset are recognized on an accrual basis of accounting.

### **D. Interfund Eliminations and Reclassifications:**

#### *Government-wide Financial Statements*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified in order to minimize the grossing-up effect

## Notes to the Financial Statements

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on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which, if any, are presented as Internal Balances. However, the interfund services provided and used are not eliminated in the process of consolidation.

### *Fund Financial Statements*

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by an assigned fund balance account. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources.”

### **E. Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, alleys, sewer lines and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost ranging from \$5,000 to \$50,000, depending on the type of asset and an estimated useful life of one year or longer.

All land and land rights are considered capital assets regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with accounting principles generally accepted in the United States of America. For capital assets used in business-type activities/proprietary fund’s operations, construction period interest is not capitalized in accordance with accounting principles generally accepted in the United States of America.

The City has elected to apply the modified approach to accounting for infrastructure – water storage tanks. The modified approach is an alternative to depreciation that may be applied to infrastructure capital assets that meet certain requirements. Under the modified approach, depreciation expense is not recorded for these assets. Instead, costs for both maintenance and preservation of these assets should be expensed in the period incurred. Additions and improvements are capitalized.

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements and in the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund’s Statement of Net Position.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Structures	25-50
Furniture and Equipment	10
Machinery and Automotive	5-10
Other Capital Assets	20-50

Governmental activities capital assets and related depreciation expenses are only reported in the Governmental Activities columns on the government-wide financial statements. Because their measurement focus is on “current financial resources,” capital assets and related depreciation expenses are not recorded in the governmental fund financial statements. In the governmental fund financial statements, capital asset acquisitions are reported as expenditures in the appropriate function.

## Notes to the Financial Statements

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### **F. Program Revenues:**

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

### **G. Proprietary Funds Revenue and Expense Classifications:**

In the proprietary funds Statement of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

### **H. Assets, Liabilities, and Net Position or Fund Balances**

*Cash and Cash Equivalents:* Cash and cash equivalents include currency on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are included as part of the Pooled Cash and Investments.

The City pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Also, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows. A pooled cash & investments account is maintained for all City funds. Interest earnings are allocated to those funds that have an average positive balance in their cash account pursuant to the City's formal investment policy.

*Receivables and Payables:* Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. current interfund loans) or "advances to/from other funds" (i.e. non-current interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

*Restricted Assets and Restricted Net Position:* Assets and net position whose use is restricted for construction, debt service, or the payment of specific claims and benefits have been classified as restricted assets and restricted net position as their use is limited by bond covenant or other externally imposed requirements.

*Inventories and Prepaid Items:* Inventories of supplies for all funds, except the Electric, Water, and Gas, are recorded at cost using the first-in, first-out (FIFO) method. Inventories of supplies for the Electric, Water, and Gas are recorded at cost using the average cost method. The cost of inventory is recognized as an expense in the governmental fund financial statements as well as in the business-type fund and government-wide financial statements when used (consumption method). The inventories reported in the governmental fund financial statements are off-set by a nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of current assets. 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.

## Notes to the Financial Statements

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*Compensated Absences:* It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. The accumulation of unused vacation and compensatory time is limited based upon employee classification. Upon separation, the City will reimburse the employee for accumulated vacation time not to exceed established maximums and compensatory time pursuant to federal regulations. The amount of unused sick leave accumulation is not limited and a portion is recognized as a long-term liability. Upon retirement, the City reimburses eligible employees a portion of the unused sick leave. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

*Deferred Inflows and Deferred Outflows of Resources:* In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net assets that applies to future periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net assets that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

*Unavailable Revenue:* As sources of revenue become measurable, even though not currently available, they are generally recorded as receivable and unavailable revenue in governmental funds. When the sources of revenue become available for use, they are recognized as revenue.

*Long-Term Obligations:* In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while premiums and discounts on debt issuances are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Equity Classifications:*

Government-wide Statements: Equity is classified as net position and is displayed in three components.

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net positions with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

## Notes to the Financial Statements

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Fund Financial Statements: Fund balance is displayed in five components based on the spending constraints placed on them.

The following classifications describe the spending constraints:

1. Nonspendable Fund Balance – amounts that cannot be spent because they are either (a) not in spendable form (such as inventory) or (b) legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts restricted that are either (a) externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed Fund Balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the entity's governing board.
4. Assigned Fund Balance – amounts that are constrained by the government's "intent" to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the City Council, Parks, Recreation & Forestry Board, Library Board or Urban Renewal Board which has been granted delegated authority by either the governing body or State statute.
5. Unassigned Fund Balance – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

*Net Position/Fund Balances:* It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The City will first use restricted fund balance, committed fund balance will be considered next and assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

*Accounting Estimates:* 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 or expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2. Stewardship, Compliance, and Accountability

### A. Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

### B. Net Position/Fund Balance Deficits

As of December 31, 2022, the following funds have deficit fund balances in the amount shown:

Tax Increment Financing 2 Fund	\$ (1,449,635)
Tax Increment Financing 5 Fund	\$ (3,159,218)

Notes to the Financial Statements

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**NOTE 3. Detailed Notes on All Funds**

**A. Deposits and Investments**

The City maintains a pooled cash portfolio that is used by all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle fund monies while ensuring that the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the City Council. Management of the City's investment pool is the responsibility of the City Finance Officer. The pool consists of checking accounts, savings accounts and certificates of deposit with original maturities of up to 24 months all of which are stated at fair value. Fund equity in the pool is shown as Pooled Cash and Investments in all financial statements. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** – In general, SDCL 4-5-6 permits Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The City has an adopted investment policy, conforming to all applicable laws of the State of South Dakota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash portfolio. This policy sets forth the City's investment objectives as well as authorized and suitable deposits and investments, maturity constraints, internal controls, and performance measures. The foremost objective of the City's investment program as set forth by the investment policy is safety of principal. Investment decisions are made under the assumption that, except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

*Credit Risk:* State law limits eligible investments for the City as discussed above. The City's investment policy follows State Law and does not further limit investment choices. As of December 31, 2022, the City did not have any investments.

*Custodial Credit Risk:* The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City deposits in excess of depository insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. Currently, there are no investments that are subject to this risk.

## Notes to the Financial Statements

**Interest rate risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy has been to establish a maturity schedule that has investments maturing in a "laddered" fashion with only a small amount of the total portfolio being reinvested each month. This technique reduces the risk that all or most of the investments will mature and be reinvested at a time of relatively low interest rates.

### B. Property Tax

Real property tax levies are established on or before October 1 of each year. Taxes are recorded as receivable, levied, and attached as an enforceable lien on property as of January 1 of each year. Taxes are payable in two installments on or before April 30 and October 31 of that year. The County bills and collects the City taxes and remits collections to the City. No accrual for the property tax levy becoming due in January of 2023 is included in the accompanying financial statements, since such taxes become due and payable on January 1, 2023, and are levied to finance expenditures budgeted for the subsequent period.

The City is permitted by State Statute to levy an increase of no more than the lesser of three percent or the index factor, as defined in the statutes, over the amount of revenue receivable from real property taxes in the preceding year, excluding the amount levied pursuant to an affirmative two-thirds vote of the governing body. After applying the index factor, the City may increase the revenue from real property taxes above the limitations by the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of property separately classified and subject to statutory adjustments and reductions, only if assessed the same as property of equal value. Property tax revenue may also be increased for the scheduled payment increases on bonded indebtedness incurred prior to December 31, 1995, and for a levy directed by the order of a court for the purpose of paying a judgment against the City.

The combined tax rate to finance municipal services including principal and interest on long-term debt for the year ended December 31, 2022 was \$1.86 per \$1,000 of taxable valuation.

The City has nine active Tax Increment Financing Districts (TIF). For five of these districts, the City has entered into an agreement with the developer of the TIF district. Under each agreement, tax increments received by the City are remitted to the developer or bank to cover initial eligible project expenses. Increments totaling \$437,507 were received by the City and paid to project developers or banks during 2022.

### C. Receivables

Receivables for the City's individual major funds and aggregate nonmajor funds including the applicable allowances for uncollectible accounts are as follows at December 31, 2022:

	Other	Taxes	Accounts	Special Assessments	Loans	Unbilled Accounts	Total
<b>General Fund</b>	\$ -	\$ 1,012,488	\$ 703,129	\$ 477,147	\$ -	\$ -	\$ 2,192,764
<b>Capital Improvement</b>	-	979,936	486,209	237,939	158,428	-	1,862,512
<b>Sewer</b>	-	-	393,615	-	-	-	393,615
<b>Electric</b>	-	-	2,827,315	-	-	815,479	3,642,794
<b>Water</b>	69,605	-	2,147,663	-	-	209,135	2,426,403
<b>Gas</b>	-	-	1,856,663	-	-	750,670	2,607,333
<b>Airport</b>	-	-	12,969	-	-	-	12,969
<b>Nonmajor and Other</b>	-	92,599	528,025	366	1,798,897	-	2,419,887
	\$ 69,605	\$ 2,085,023	\$ 8,955,588	\$ 715,452	\$ 1,957,325	\$ 1,775,284	\$15,558,277

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Electric, Water, and Gas are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to electric sales	\$ 14,926
Uncollectibles related to water sales	17,928
Uncollectibles related to gas sales	<u>13,644</u>
<b>Total uncollectibles of the current fiscal year</b>	<b>\$ 46,498</b>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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:

Sales tax receivable (general fund)	\$ 954,623
Sales tax receivable (special revenue funds)	1,044,883
Special assessments not yet due (general fund)	477,147
Special assessments not yet due (special revenue funds)	237,939
Due from other governments (general fund)	16,639
Due from other governments (special revenue funds)	358,322
Due from other funds (general fund)	3,950
Accounts receivable - Sponsorship agreements (special revenue fund)	608,250
Accounts receivable – Park Development agreements (special revenue fund)	7,620
Accounts receivable - Franchise Fees (general fund)	34,994
Accounts receivable - E-911 surcharges (special revenue funds)	<u>106,545</u>
<b>Total</b>	<b>\$ 3,850,912</b>

**D. Due From Other Governments**

Amounts due from other governments for the Primary Government include the following at December 31, 2022:

	Due from Federal	Due from State	Total
<b>Governmental Activities</b>			
General Fund	\$ 16,639	\$ 139,169	\$ 155,808
Capital Improvement Fund	-	167,030	167,030
E-911 Fund	-	34,289	34,289
Total Governmental Activities	<u>16,639</u>	<u>340,488</u>	<u>357,127</u>
<b>Business-Type Activities</b>			
<b>Enterprise Funds</b>			
Sewer	-	99,061	99,061
Solid Waste	-	184,952	184,952
Airport	2,371,354	28,145	2,399,499
Total Business-Type Activities	<u>2,371,354</u>	<u>312,158</u>	<u>2,683,512</u>
<b>Total</b>	<u>\$ 2,387,993</u>	<u>\$ 652,646</u>	<u>\$ 3,040,639</u>



## Notes to the Financial Statements

### E. Interfund Receivables and Payables

Interfund receivables and payables result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. Interfund receivables and payables do not include advances which are discussed below. The composition of interfund balances as of December 31, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Airport Fund	\$ 724,873
General Fund	Electric Fund	2,173
General Fund	Gas Fund	1,383
General Fund	Water Fund	395
Electric Fund	Water Fund	2,000,000
Gas Fund	Water Fund	6,200,000

### F. Interfund Transfers

Transfers are budgeted to subsidize the operations of the fund receiving the transfer. Interfund transfers for the year ended December 31, 2022 were as follows:

	General Fund	Capital Projects Fund (506)	Nonmajor Governmental Funds	Total
<b>Transfers Out</b>				
General Fund	\$ -	\$ -	\$ 2,325,000	\$ 2,325,000
Capital Improvement Fund	-	-	300,000	300,000
Sewer Fund	380,500	-	-	380,500
Electric Fund	1,032,075	-	-	1,032,075
Gas Fund	344,025	-	-	344,025
Nonmajor Governmental Funds	-	4,446,608	1,300,000	5,746,608
Nonmajor Business-Type Funds	235,000	-	-	235,000
	\$ 1,991,600	\$ 4,446,608	\$ 3,925,000	\$ 10,363,208

### G. Advances

The City made another inter-fund loan in 2004 from the Capital Improvement Fund to the TIF 2 Fund in the amount of \$1,020,000. As authorized in Resolution No. 04-71, the City used available funds from the Capital Improvement Fund to finance the project costs for the public improvements made in the TIF 2 district. The loan terms state that the loan will be paid back as property taxes are collected by the TIF 2 Fund over a period not to exceed twenty years at an interest rate of 7.00%.

The City made another inter-fund loan in 2010 from the Capital Improvement Fund and the Sewer Fund to the TIF 5 Fund in the amount of \$1,825,000. As authorized in Resolution No. 10-40, the City used available funds from the Capital Improvement and Sewer Funds to finance the project costs for the public improvements made in the TIF 5 district. The loan terms state the loan will be paid back to the Capital Improvement Fund first as property taxes are collected by the TIF 5 Fund over a period not to exceed twenty years at an interest rate of 7.00%. If the Capital Improvement Fund loan is repaid within the twenty years, the Sewer Fund will be repaid back at an interest rate of 7.00%.

The City made another inter-fund loan in 2019 from the Capital Improvement Fund to the TIF 10 Fund in the amount of \$1,800,000. As authorized in Resolution 19-34 and 19-51, the City used available funds from the Capital Improvement Fund to finance the project costs for the public improvements made in the TIF 10 district. The loan terms state that the loan will be paid back as property taxes are collected by the TIF 10 Fund over a period not to exceed twenty years at an interest rate of 0.00%.

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**H. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Non-Depreciable Assets				
Land	\$ 18,236,709	\$ 1,699,355	\$ (37,721)	\$ 19,898,343
Construction in Progress	2,116,892	10,408,938	-	\$ 12,525,830
Depreciable Assets:				
Buildings & Structures	59,588,262	69,000	-	\$ 59,657,262
Improvements other than Buildings	103,389,496	1,594,081	-	\$ 104,983,577
Equipment & Automotive	16,121,919	1,792,732	(127,883)	\$ 17,786,768
Totals	199,453,278	15,564,106	(165,604)	214,851,780
Less Accumulated Depreciation:				
Buildings & Structures	(16,194,648)	(1,167,914)	-	(17,362,562)
Improvements other than Buildings	(23,113,782)	(1,984,389)	-	(25,098,171)
Equipment & Automotive	(11,253,753)	(936,650)	42,728	(12,147,675)
Total Accumulated Depreciation	(50,562,183)	(4,088,953)	42,728	(54,608,408)
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 148,891,095</b>	<b>\$ 11,475,153</b>	<b>\$ (122,876)</b>	<b>\$ 160,243,372</b>
<b>Business-Type Activities</b>				
Non-Depreciable Assets				
Land	\$ 3,705,606	\$ -	\$ -	\$ 3,705,606
Construction in Progress	15,672,991	13,941,442	(12,460,539)	\$ 17,153,894
Depreciable Assets:				
Intangible Property	3,930,745	-	-	\$ 3,930,745
Buildings & Structures	78,251,070	14,474,325	-	\$ 92,725,395
Improvements other than Buildings	209,550,177	8,767,126	(728,282)	\$ 217,589,021
Equipment & Automotive	15,101,043	2,181,257	(567,739)	\$ 16,714,561
Totals	326,211,632	39,364,150	(13,756,560)	351,819,222
Less Accumulated Depreciation:				
Amortization of Intangible Property	(703,630)	(126,525)	8,763	(821,392)
Buildings & Structures	(29,627,201)	(1,551,022)	-	(31,178,223)
Improvements other than Buildings	(81,540,170)	(3,761,916)	774,560	(84,527,526)
Equipment & Automotive	(11,020,465)	(1,000,954)	569,515	(11,451,904)
Total Accumulated Depreciation	(122,891,466)	(6,440,417)	1,352,838	(127,979,045)
<b>Business-Type Activities Capital Assets, net</b>	<b>\$ 203,320,166</b>	<b>\$ 32,923,733</b>	<b>\$ (12,403,722)</b>	<b>\$ 223,840,177</b>

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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	<b>Depreciation Expense</b>
General Government	\$ 60,086
Public Safety	543,412
Public Works	1,592,293
Culture & Recreation	1,724,310
Conservation & Development	168,852
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 4,088,953</b>
<b>Business-Type Activities:</b>	
Sewer	\$ 1,768,085
Solid Waste	514,027
Airport	855,766
Electric	1,436,348
Water	1,353,971
Gas	512,220
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 6,440,417</b>

Projects included in construction in progress for the primary government are as follows:

Project	Contracted Amount	Expended to 12/31/22	Committed
<b>Governmental Funds:</b>			
Ice Complex	\$ 34,212,035	\$ 3,894,650	\$ 4,224,119
Downtown Park Design/Construction	3,051,566	2,344,260	2,486,888
City Hall Purchase/Remodel	-	-	1,436,602
Street Facility Project	-	302,543	302,543
Storm Water Project	-	-	14,750
3 <sup>rd</sup> Ave. NW Street/Bridge Improv.	4,491,317	3,867,485	4,060,928
	<u>41,754,918</u>	<u>10,408,938</u>	<u>12,525,830</u>
<b>Enterprise Funds:</b>			
WWTF Primary Clarifier Rehab Design	2,757,888	1,660,354	2,603,010
Highway 212 Project	-	396,424	396,424
Landfill Cell #7 Construction	2,414,991	2,178,936	2,231,108
Terminal Site Improv../SRE Building	-	6,808,000	8,959,492
Electric System Force Account Projects	101,890	66,455	70,140
Water System Force Account Projects	-	2,831,273	2,893,720
	<u>5,274,769</u>	<u>13,941,442</u>	<u>17,153,894</u>
Total Primary Government	<u>\$ 47,029,687</u>	<u>\$ 24,350,380</u>	<u>\$ 29,679,724</u>

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**I. Long-Term Debt**

Long-term debt consists of bonded indebtedness, compensated absences, and other post-employment benefits. A summary of long-term debt issued and retired during 2022 and outstanding balances as of December 31, 2022 follows:

	Balance Outstanding 12/31/2021	Additions During 2022	Deletions During 2022	Balance Outstanding 12/31/2022	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Loans Payable:</b>					
State Revolving Fund-Loan #5; Original Issue \$2,055,000; 3.5% interest; due in 2025	463,343	-	137,020	326,323	141,879
State Revolving Fund-Loan #7 CW; Original Issue \$847,170; 2.25% interest; due in 2029	336,053	-	43,167	292,886	44,146
State Revolving Fund-Loan #7 NPS; Original Issue \$81,205; 2.25% interest; due in 2029	33,717	-	4,331	29,386	4,429
State Revolving Fund-Loan #12 CW; Original Issue \$5,000,000; 2.25% interest; due in 2042	4,269,091	32,503	42,724	4,258,870	173,315
State Revolving Fund-Loan #13 CW; Original Issue \$2,500,000; 2.00% interest; due in 2043	859,347	904,179	-	1,763,526	-
Wastewater Revenue Refunding Bonds, 2020C & 2020D \$6,330,000; 0.5-2.00% interest; due in 2031	6,045,000	-	580,000	5,465,000	580,000
Water Revenue Refunding Bonds, 2020A & 2020B \$11,060,000; .85-2.25% interest; due in 2028	9,415,000	-	1,415,000	8,000,000	1,425,000
State Revolving Fund Loan #2018G Landfill Stormwater Issue \$108,000; 2.0% interest; due in 2026	71,144	-	15,264	55,880	15,571
State Revolving Fund Loan #461029-15 Landfill Cell #7 Issue \$1,428,000; 2.0% interest; due in 2043	-	1,428,000	-	1,428,000	29,196
<b>Total Loans Payable</b>	<b>21,492,695</b>	<b>2,364,682</b>	<b>2,237,506</b>	<b>21,619,871</b>	<b>2,413,536</b>
<b>Compensated Absences Payable</b>	<b>1,657,235</b>	<b>801,104</b>	<b>772,199</b>	<b>1,686,140</b>	<b>421,534</b>
<b>*Other Post-Employment Benefits (OPEB)</b>	<b>1,117,933</b>	<b>380,782</b>	<b>-</b>	<b>1,498,715</b>	<b>-</b>
<b>Closure/Post Closure Costs</b>	<b>1,300,846</b>	<b>-</b>	<b>-</b>	<b>1,300,846</b>	<b>-</b>
<b>Unamortized Premium on Bonds</b>	<b>272,276</b>	<b>-</b>	<b>37,161</b>	<b>235,115</b>	<b>37,162</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				<b>26,340,687</b>	<b>2,872,232</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>Bond Issued:</b>					
2016 GO Refunding Bond - Event Center; General Obligation Bonds; Original Issue \$3,205,000; .75-1.55% interest; due in 2023	380,000	-	380,000	-	-
<b>Total GO Bonds</b>				<b>-</b>	<b>-</b>
2015 Sales Tax Revenue - Refunding Bond - Library Expansion Project; Original Issue \$3,375,000; 0.30-3.25% interest; due in 2026	1,505,000	-	290,000	1,215,000	300,000
2020 Sales Tax Revenue - Refunding Bond - 2012, 2014, 2015B & 2015C \$21,760,000; 2.0-4.00% interest; due in 2034	20,355,000	-	1,530,000	18,825,000	1,585,000
2021 Sales Tax Revenue - Series 2021 Bond - 10th Ave and City Hall Remodel \$7,370,000; 2.0-3.00% interest; due in 2041	7,235,000	-	290,000	6,945,000	295,000
2022 Sales Tax Revenue - Series 2022 Bond - Ice Arena \$18,570,000; 3.0-5.00% interest; due in 2051	-	18,570,000	515,000	18,055,000	315,000
2022 Sales Tax Revenue - Series 2022B Bond - Street Facility \$7,310,000; 3.375-5.00% interest; due in 2042	-	7,310,000	125,000	7,185,000	230,000
2022 Sales Tax Revenue - Series 2022C Bond - Ice Arena \$10,050,000; 1.90-5.00% interest; due in 2051	-	10,050,000	-	10,050,000	100,000
<b>Total Sales Revenue Bonds</b>	<b>29,475,000</b>	<b>35,930,000</b>	<b>3,130,000</b>	<b>62,275,000</b>	<b>2,825,000</b>
<b>Bond Issued:</b>					
2021 Tax Increment Bonds TIF #11 - Project, \$2,000,000; 3.55% interest; due in 2041	2,000,000	-	69,801	1,930,199	72,336
<b>Total Tax Increment Bonds</b>	<b>2,000,000</b>	<b>-</b>	<b>69,801</b>	<b>1,930,199</b>	<b>72,336</b>

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	Balance Outstanding 12/31/2021	Additions During 2022	Deletions During 2022	Balance Outstanding 12/31/2022	Due Within One Year
<b>LONG-TERM DEBT (continued)</b>					
<b>Loans Payable:</b>					
State Revolving Fund Loan #6-CW; Original Issue \$1,189,145; 2.25% interest; due in 2029	498,055	-	61,666	436,389	63,065
State Revolving Fund Loan #6-NPS; Original Issue \$113,985; 2.25% interest; due in 2028	44,305	-	6,148	38,157	6,287
State Revolving Fund-Loan #8-CW; Original Issue \$612,877; 2.25% interest; due in 2029	218,003	-	28,003	190,000	28,638
State Revolving Fund-Loan #8-NPS; Original Issue \$58,747; 2.25% interest; due in 2029	24,393	-	3,133	21,260	3,204
State Revolving Fund-Loan #10-CW; Original Issue \$3,330,000; 3.0% interest; due in 2031	1,475,462	-	136,332	1,339,130	140,468
State Revolving Fund-Loan #11-CW; Original Issue \$815,000; 3.0% interest; due in 2032	115,110	-	9,473	105,637	9,761
<b>Total Loans Payable</b>	<b>2,375,328</b>	<b>-</b>	<b>244,755</b>	<b>2,130,573</b>	<b>251,423</b>
<b>Compensated Absences Payable</b>	<b>2,006,580</b>	<b>1,399,189</b>	<b>1,064,312</b>	<b>2,341,457</b>	<b>585,364</b>
<b>*Other Post-Employment Benefits (OPEB)</b>	<b>967,368</b>	<b>435,836</b>	<b>-</b>	<b>1,403,204</b>	<b>-</b>
<b>Unamortized Premium on Bonds</b>	<b>1,613,781</b>	<b>2,313,356</b>	<b>174,855</b>	<b>3,752,282</b>	<b>201,277</b>
				<b>7,496,943</b>	<b>786,641</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				<b>73,832,715</b>	<b>3,935,400</b>
<b>TOTAL OF BONDS AND INSTALLMENT CONTRACTS</b>				<b>\$ 100,173,402</b>	<b>\$ 6,807,632</b>

Compensated absences and OPEB Liability in the Governmental Funds have typically been liquidated from the General, Park & Recreation, Prairie Lakes Wellness Center, Big Sioux River Project and E-911 Funds.

*Revenue Bonds Payable*

The City also issues bonds where the City pledges specific revenue streams or income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for both governmental and business-type activities.

Annual debt service requirements to maturity for revenue bonds are as follows:

2015 Sales Tax Revenue Bonds - Refunding				2020 Sales Tax Revenue Bonds – Refunding			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2023	\$ 300,000	\$ 38,738	\$ 338,738	2023	\$ 1,585,000	\$ 540,800	\$ 2,125,800
2024	305,000	29,738	334,738	2024	1,675,000	493,250	2,168,250
2025	315,000	19,825	334,825	2025	1,340,000	443,000	1,783,000
2026	295,000	9,588	304,588	2026	1,400,000	389,400	1,789,400
Totals	\$ 1,215,000	\$ 97,889	\$ 1,312,889	2027	1,450,000	333,400	1,783,400
				2028-32	7,915,000	988,400	8,903,400
				2033-37	3,460,000	104,200	3,564,200
				Totals	\$18,825,000	\$3,292,450	\$22,117,450

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2021 Sales Tax Revenue Bonds			
Year	Principal	Interest	Total
2023	\$ 295,000	\$ 159,935	\$ 454,935
2024	300,000	154,035	454,035
2025	310,000	145,035	455,035
2026	320,000	135,735	455,735
2027	325,000	129,335	454,335
2028-32	1,725,000	546,575	2,271,575
2033-37	1,950,000	321,075	2,271,075
2038-42	1,720,000	95,285	1,815,285
Totals	\$ 6,945,000	\$ 1,687,010	\$ 8,632,010

2022 Sales Tax Revenue Bonds			
Year	Principal	Interest	Total
2023	\$ 315,000	\$ 698,850	\$ 1,013,850
2024	335,000	683,100	1,018,100
2025	350,000	666,350	1,016,350
2026	365,000	648,850	1,013,850
2027	385,000	630,600	1,015,600
2028-32	2,235,000	2,844,000	5,079,000
2033-37	2,795,000	2,283,400	5,078,400
2038-42	3,395,000	1,678,400	5,073,400
2043-47	4,110,000	967,200	5,077,200
2048-52	3,770,000	286,950	4,056,950
Totals	\$ 18,055,000	\$ 11,387,700	\$ 29,442,700

2022 Sales Tax Revenue Bonds - 2022B			
Year	Principal	Interest	Total
2023	\$ 230,000	\$ 289,269	\$ 519,269
2024	240,000	277,768	517,768
2025	250,000	265,769	515,769
2026	265,000	253,269	518,269
2027	280,000	240,019	520,019
2028-32	1,605,000	980,744	2,585,744
2033-37	1,975,000	618,844	2,593,844
2038-42	2,340,000	250,931	2,590,931
Totals	\$ 7,185,000	\$ 3,176,613	\$ 10,361,613

2022 Sales Tax Revenue Bonds - 2022C			
Year	Principal	Interest	Total
2023	\$ 100,000	\$ 500,187	\$ 600,187
2024	190,000	409,213	599,213
2025	200,000	399,712	599,712
2026	210,000	389,713	599,713
2027	220,000	379,213	599,213
2028-32	1,265,000	1,772,962	3,037,962
2033-37	1,555,000	1,433,630	2,988,630
2038-42	1,875,000	1,115,338	2,990,338
2043-47	2,270,000	712,400	2,982,400
2048-52	2,165,000	220,800	2,385,800
Totals	\$ 10,050,000	\$ 7,333,168	\$ 17,383,168

*Loans – Business-Type Activities*

The City has several State Revolving Fund (SRF) loans outstanding for various sewer and water projects. These loans will be repaid with pledged sewer user fees from the Sewer Enterprise Fund and pledged water user fees from the Water Fund.

SRF Loan No. 13 was approved for \$2,500,000 for the reconstruction of Clarifier #2 and the wastewater plant. The drawdown amount on this loan was \$1,763,526 and had not been completed before December 31, 2022. No amortization schedule was available for SRF Loan No. 13.

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Annual debt service requirements to maturity for SRF loans are as follows:

SRF Loan #5			
Year	Principal	Interest	Total
2023	\$ 141,879	\$ 9,573	\$ 151,452
2024	146,910	4,541	151,451
2025	37,534	328	37,862
Totals	\$ 326,323	\$ 14,442	\$ 340,765

SRF Loan #7			
Year	Principal	Interest	Total
2023	\$ 44,146	\$ 6,219	\$ 50,365
2024	45,148	5,217	50,365
2025	46,173	4,193	50,366
2026	47,220	3,145	50,365
2027	48,291	2,074	50,365
2028-32	61,908	1,049	62,957
Totals	\$ 292,886	\$ 21,897	\$ 314,783

SRF Loan #7-NPS			
Year	Principal	Interest	Total
2023	\$ 4,429	\$ 624	\$ 5,053
2024	4,530	523	5,053
2025	4,633	421	5,054
2026	4,738	316	5,054
2027	4,845	208	5,053
2028-32	6,211	105	6,316
Totals	\$ 29,386	\$ 2,197	\$ 31,583

Wastewater System Revenue Bonds Series 2020 - Refunding			
Year	Principal	Interest	Total
2023	\$ 580,000	\$ 72,948	\$ 652,948
2024	585,000	68,431	653,431
2025	590,000	62,995	652,995
2026	595,000	55,073	650,073
2027	605,000	47,075	652,075
2028-32	2,510,000	98,325	2,608,325
Totals	\$ 5,465,000	\$ 404,847	\$ 5,869,847

Water System Revenue Bonds Series 2020 - Refunding			
Year	Principal	Interest	Total
2023	\$ 1,425,000	\$ 127,944	\$ 1,552,944
2024	1,445,000	109,996	1,554,996
2025	855,000	96,609	951,609
2026	1,480,000	76,325	1,556,325
2027	1,510,000	42,688	1,552,688
2028	1,285,000	12,850	1,297,850
Totals	\$ 8,000,000	\$ 466,412	\$ 8,466,412

Solid Waste Management Loan Series 2018			
Year	Principal	Interest	Total
2023	\$ 15,571	\$ 1,040	\$ 16,611
2024	15,883	727	16,610
2025	16,203	408	16,611
2026	8,223	82	8,305
Totals	\$ 55,880	\$ 2,257	\$ 58,137

Notes to the Financial Statements

SRF Loan #12				SRF Loan #15			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2023	\$ 173,315	\$ 94,369	\$ 267,684	2023	\$ 29,196	\$ 14,207	\$ 43,403
2024	177,248	90,436	267,684	2024	59,272	27,533	86,805
2025	181,270	86,415	267,685	2025	60,467	26,339	86,806
2026	185,383	82,301	267,684	2026	61,685	25,121	86,806
2027	189,589	78,095	267,684	2027	62,928	23,877	86,805
2028-32	1,014,460	323,961	1,338,421	2028-32	334,178	99,849	434,027
2033-37	1,134,896	203,525	1,338,421	2033-37	369,232	64,795	434,027
2038-42	1,202,709	68,791	1,271,500	2038-42	407,963	26,064	434,027
Totals	\$ 4,258,870	\$ 1,027,893	\$ 5,286,763	2043-47	43,079	324	43,403
				Totals	\$ 1,428,000	\$ 308,109	\$ 1,736,109

**State Revolving Fund (SRF) Loan Covenants**

SRF Loan documents require that various "funds" and sub-accounts be used within the Sewer Fund for the purpose of application and proper allocation of revenue of the sewer and to secure the payment of principal and interest on the SRF Loans. In the past, sewer rates were increased in anticipation of the debt service payments on the SRF Loans No. 5, 7, 7 NPS, 9 and 12 and other costs related to the sewer system improvements. Under the SRF loan documents, the additional revenues resulting from these rate increases are identified as special charges or surcharges and are used within the Sewer Fund to finance costs in the following priority:

1. Operation and Maintenance of Improvements
2. Replacement and Depreciation of Improvements
3. Debt Service Payments on the SRF Loan
4. Unrestricted Surplus Fund

SRF Loan documents require that various "funds" and sub-accounts be used within the Water Fund for the purpose of application and proper allocation of revenue of the water system and to secure the payment of principal and interest on the SRF Loan. The water system users were charged a surcharge rate to cover the debt service payments on the Drinking Water SRF Loan. The surcharge rate collected within the Water Fund to finance debt service payments may not be used for any other purpose other than debt reduction of the Drinking Water SRF Loan.

The various revenue bond documents authorized the City to proceed with various wastewater and water system improvement projects and permitted the City to borrow money through the SRF program to finance these various improvements. The City has complied with all requirements of the various revenue bond resolutions and with all applicable requirements of the SRF Loan agreements entered into pursuant to these resolutions.



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*Loans – Governmental Activities*

SRF Loans No. 6 and 8 consist of two portions: Clean Water (CW) and Non Point Source (NPS). The CW portions of the loans were used for storm sewer improvement projects. The NPS portions of the loans were used for watershed improvements. The draw downs for the CW and NPS portion of both loans are complete and annual debt service requirements to maturity for these projects have been established. SRF Loan No. 10 was used for two storm sewer improvement projects. SRF Loan No. 11 was used to complete the Watertown Police Departments “Green” Parking Lot. Payments are made from the Capital Improvement Sales Tax Fund with annual debt service requirements to maturity for the SRF loans as follows:

SRF Loan #6 CW			
Year	Principal	Interest	Total
2023	\$ 63,065	\$ 9,289	\$ 72,354
2024	64,496	7,858	72,354
2025	65,959	6,395	72,354
2026	67,456	4,898	72,354
2027	68,987	3,367	72,354
2028-32	106,426	2,106	108,532
Totals	\$ 436,389	\$ 33,913	\$ 470,302

SRF Loan #6 NPS			
Year	Principal	Interest	Total
2023	\$ 6,287	\$ 806	\$ 7,093
2024	6,430	663	7,093
2025	6,576	517	7,093
2026	6,725	368	7,093
2027	6,878	215	7,093
2028-32	5,261	60	5,321
Totals	\$ 38,157	\$ 2,629	\$ 40,786

SRF Loan #8 CW			
Year	Principal	Interest	Total
2023	\$ 28,638	\$ 4,035	\$ 32,673
2024	29,288	3,385	32,673
2025	29,953	2,720	32,673
2026	30,632	2,040	32,672
2027	31,327	1,345	32,672
2028-32	40,162	680	40,842
Total	\$ 190,000	\$ 14,205	\$ 204,205

SRF Loan #8 NPS			
Year	Principal	Interest	Total
2023	\$ 3,204	\$ 451	\$ 3,655
2024	3,277	379	3,656
2025	3,352	304	3,656
2026	3,427	228	3,655
2027	3,505	151	3,656
2028-32	4,495	76	4,571
Total	\$ 21,260	\$ 1,589	\$ 22,849

SRF Loan #10			
Year	Principal	Interest	Total
2023	\$ 140,468	\$ 38,603	\$ 179,071
2024	144,730	34,342	179,072
2025	149,121	29,951	179,072
2026	153,645	25,427	179,072
2027	158,306	20,765	179,071
2028-32	592,860	33,888	626,748
Totals	\$ 1,339,130	\$ 182,976	\$ 1,522,106

SRF Loan #11			
Year	Principal	Interest	Total
2023	\$ 9,761	\$ 3,060	\$ 12,821
2024	10,057	2,764	12,821
2025	10,362	2,459	12,821
2026	10,676	2,144	12,820
2027	11,000	1,820	12,820
2028-32	53,781	3,913	57,694
Totals	\$ 105,637	\$ 16,160	\$ 121,797

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**Tax Increment Bonds**

The City approved Tax Increment Revenue Bonds (TIF #11), Series 2021 on November 22, 2021. Bonds were issued in the amount of \$2,000,000 with repayment of the debt to be provided by Tax Increment property tax revenue generated in district #11. Any shortfall of property tax revenue to debt payment is the responsibility of the developer.

<b>2021 TIF #11 Bond</b>				
Year	Principal	Interest	Total	
2023	\$ 72,336	\$ 68,824	\$	141,160
2024	74,776	66,385		141,161
2025	77,678	63,483		141,161
2026	80,499	60,662		141,161
2027	83,423	57,738		141,161
2028-32	464,524	241,281		705,805
2033-37	555,445	150,359		705,804
2038-42	521,518	43,126		564,644
Totals	\$ 1,930,199	\$ 751,858	\$	2,682,057

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*Legal Debt Limit*

The City is subject to Article XIII, Section 4, of the South Dakota Constitution which limits the amount of bonded debt to a percent of the assessed valuation of the taxable property therein for the year preceding that in which said indebtedness is incurred.

	"No-Limit" Debt	Debt Capacity at 5% (Unrestricted)	Additional 10% Debt Capacity (Water/Sewer)
2022 Assessed Value		<u>\$2,333,184,784</u>	
Maximum Debt Capacity:	\$ -	\$ 116,659,239	\$ 233,318,478
Existing Bonds:			
GO Refinancing Bonds (Event Center)	-	-	-
SRF Loan No. 5 (Wastewater Revenue Surcharge)	326,323	-	-
SRF Loan No. 6-CW (Sales Tax)	-	436,389	-
SRF Loan No. 6-NPS (Sales Tax)	-	38,157	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	292,886	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	29,386	-	-
SRF Loan No. 8-CW (Sales Tax)	-	190,000	-
SRF Loan No. 8-NPS (Sales Tax)	-	21,260	-
SRF Loan No. 10-CW (Sales Tax)	-	1,339,130	-
SRF Loan No. 11-CW (Sales Tax)	-	105,637	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	4,258,870	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	1,763,526	-	-
Wastewater Revenue Bonds - 2020 Refunding	5,465,000	-	-
Water Revenue Bonds - 2020 Refunding	8,000,000	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue)	55,880	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste Revenue)	1,428,000	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	1,215,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	18,825,000	-
2021 Sales Tax Revenue Bonds	-	6,945,000	-
2022 Sales Tax Revenue Bonds	-	18,055,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	7,185,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	10,050,000	-
2021 Tax Increment Bond	-	1,930,199	-
Total Bonded Debt	<u>21,619,871</u>	<u>66,335,772</u>	-
Total Debt	21,619,871	66,335,772	-
Available Debt Capacity	N/A	\$ 50,323,467	\$ 233,318,478

## Notes to the Financial Statements

The State Constitution sets two legal debt limits on municipalities. The City has an unrestricted (i.e. for any legally authorized purpose) legal debt limit equal to 5% of the total assessed value of taxable property. In addition, the Constitution permits the City to issue debt for water or sewer improvements in an amount up to 10% of the total assessed value of taxable property. Water or sewer debt that applies against the 10% limit does not apply against the 5% limit. However, certain requirements, including a public vote, must be met in order for water or sewer debt to apply against the 10% limit. Also, revenue bonded indebtedness that is secured by a surcharge on utility charges as well as annual appropriation leases have been determined not to be debt in determining municipal debt capacity and is referred to above as "no-limit" debt. The table above summarizes the legal debt limit and available debt capacity for the City as of December 31, 2022.

### *Compensated Absences*

Annual leave is earned by all full-time employees and appointed officers. Upon termination, officers and employees are entitled to receive compensation for their eligible unused accrued annual leave. Governmental funds that are used to liquidate the liability for compensated absences are as follows: General Fund, Special Revenue Funds (Park & Recreation, Prairie Lakes Wellness Center, E-911 Emergency, and Big Sioux River Watershed Project). Enterprise funds that are used to liquidate the liability are the Sewer, Solid Waste, Airport, Electric, Water, and Gas funds. The amount reported for the current portion is an estimate based on past historical use.

### *Conduit Debt*

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as a liability in the accompanying financial statements. As of December 31, 2022, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$696,119.

## **K. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require the City to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. A new survey of the landfill was done and changes in estimates were made. The information presented in the financial statements use these new estimates. The \$1,300,846 reported as a liability for landfill closure and postclosure care costs at December 31, 2022, represents the cumulative amount reported to date based on the use of 36% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,651,044 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2022. The City expects to close the landfill in the year 2064. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City is required by state and federal laws and regulations to set aside funds to finance closure and postclosure care. The City is in compliance with these requirements, and at December 31, 2022, investments of \$1,300,846 are held for these purposes. These are reported as restricted assets on the balance sheet. However, if these funds are inadequate or additional care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Closure/Postclosure Liability	\$1,300,846	\$1,300,846	\$1,201,476

Notes to the Financial Statements

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**L. Retirement Plan**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

*Benefits Provided*

SDRS has four different classes of members, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

## Notes to the Financial Statements

### Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2022, 2021, and 2020 were \$1,306,514, \$1,208,844 and \$1,146,862, respectively, equal to the required contributions each year.

### Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2022, and reported by the City as of December 31, 2022, are as follows:

Proportionate share of total pension liability	\$ 122,855,808
Less proportionate share of net position restricted for pension benefits	(122,938,050)
Proportionate share of net pension liability (asset)	<u>\$ (82,242)</u>

At December 31, 2022, the City reported an asset of \$82,242 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022 the City's proportion was .870292%, which is an increase of .001449% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized a reduction in expense of \$459,483. At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,565,654	\$ 5,339
Changes in assumption.	5,227,435	4,581,147
Net Difference between projected and actual earnings on pension plan investments	-	197,105
Changes in proportion and difference between the City contributions and proportionate share of contributions	11,580	17,580
City contributions subsequent to the measurement date	656,594	-
Total	<u>\$ 7,461,623</u>	<u>\$ 4,801,171</u>

\$656,594 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2023	\$ 540,436
2024	1,142,222
2025	(1,302,661)
2026	1,629,500
Total	<u>\$ 2,009,497</u>

## Notes to the Financial Statements

### Actuarial Assumptions

The total pension asset in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.50%
- Salary Increases Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
- Discount Rate 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
- Future COLAs 2.10%

### Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

#### Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

#### Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

#### Beneficiaries:

- PubG-2010 contingent survivor mortality table

#### Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	

## Notes to the Financial Statements

### *Discount Rate*

The discount rate used to measure the total pension liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments 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 asset.

### *Sensitivity of liability (asset) to changes in the discount rate*

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 17,078,052	\$ (82,242)	\$ (14,106,747)

### *Pension Plan Fiduciary Net Position*

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

## **M. Other Postemployment Benefits**

*Plan Description* - The City, under the authority of SDCL 9-14-35 and SDCL 6-1-16, operates a single-employer defined benefit healthcare plan. The plan provides medical benefits to eligible active and retired employees and their spouses. All full-time employees are allowed upon meeting the eligibility requirements, to participate in the retiree health insurance plan. The City contributes \$60.00/month for single coverage and \$140/month for single plus spouse coverage. The Municipal Utilities contributes \$100.00/month for single coverage and \$150.00/month for family coverage. The benefit provisions for employees are established and amended by the governing body either through the Personnel Policy Manual or the collective bargaining contracts. The City's plan is a self-funded plan.

*Obligations of Plan Members and Sponsoring Organization* - The governing board of the City of Watertown determines the contribution amounts for the plan. Future amendments to the funding mechanism of the benefit plan are determined by the governing board.

*Funding Policy* - The City has elected to fund the plan on a pay-as-you-go method.

*Plan Participation* - At December 31, 2022, the following number of current and former employees were covered by the benefit terms:

Active Employees	287
Actives waiving coverage	16
Retirees electing coverage	23
Total	326



## Notes to the Financial Statements

*Total OPEB Liability*- The City's total OPEB liability of \$2,901,919 was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2021.

*Actuarial Assumptions* - The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount Rate	1.84%
Health Care Cost Trend Rate	6.80% - 3.9% over 55 years
Mortality	Pub-2010 headcount-weighted mortality tables – projected generationally with MP-2020

*Discount Rate* - The discount rate used to measure the total OPEB liability was 1.84%, which reflects the Fidelity 20-year tax-exempt general obligation municipal bonds with an average rating AA index.

*Mortality Rates* - The mortality rates used to measure the total OPEB liability were based on the Pub-2010 headcount-weighted mortality tables, projected generationally with MP-2020, and other adjustments.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study using the "lookback" method. The measurement date is December 31, 2021.

	Total OPEB Liability
Total OPEB Liability Beginning of Year, Restated	\$2,085,301
Changes for the Year:	
Service Cost	100,697
Interest	42,236
Differences between expected and actual experience	413,831
Changes of assumptions	408,282
Employer Contributions	(148,428)
Total OPEB Liability End of Year	\$2,901,919

Changes of assumptions reflect a change in the discount rate from 2.00% in 2020 to 1.84% in 2021.

*Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower (0.84%) or 1% higher (2.84%) than the current discount rate of 1.84%.

	1% Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB Liability	\$ 3,138,806	\$ 2,901,919	\$ 2,685,878

## Notes to the Financial Statements

*Sensitivity of City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* -The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.80% decreasing to 2.90%) or 1% higher (7.80% decreasing to 4.90%) than the current healthcare cost trend rates.

	1% Decrease (5.80% decreasing to 2.90%)	Discount Rate (6.80% decreasing to 3.90%)	1% Increase (7.80% decreasing to 4.90%)
Total OPEB Liability	\$ 2,635,316	\$ 2,901,919	\$ 3,219,345

*OPEB Expense and Deferred Outflows of Resources Related to OPEB* - For the year ended December 31, 2022, the City recognized OPEB expense of \$149,813. At December 31, 2022, the City reported deferred outflows (inflows) of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 186,043	\$ 61,909
Difference between expected and actual liability	804,224	-
City contributions between measurement date and reporting date	504,888	N/A
Total	\$ 1,495,155	\$ 61,909

The amount reported as deferred outflows (inflows) of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended December 31,	
2023	\$ 192,923
2024	192,923
2025	192,923
2026	190,424
2027	189,177
Thereafter	288,832
Total	\$ 1,247,202

## N. Segment Information for Enterprise Funds

For the Sewer and Water Funds, this requirement is effectively met by the statements in this report because the funds are reported as major business-type funds; therefore the required segment information has already been disclosed in the fund financial statements.

## NOTE 4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2022, the City managed its risks as follows:

## Notes to the Financial Statements

### A. Unemployment

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The City has no equity set aside in the General Fund for the payment of future unemployment benefits. Unemployment benefits are appropriated on an annual basis.

During the year ended December 31, 2022, four claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$4,018. The City does not anticipate any changes in employment practices or elimination of any positions currently held. The history of unemployment payments indicates that most benefits were paid on temporary personnel.

### B. Employee Health Insurance

The City purchases health insurance for its employees from a commercial insurance carrier.

### C. Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for: General Liability, Automobile Coverage, Law Enforcement Liability, Building, Contents, Boiler and Machinery, and Enhanced Crime Coverage.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The City carries the coverage below:

Coverage	Limit	Deductible
General Liability	\$ 5,000,000	None
Automobile Coverage	\$ 2,000,000	\$ 1,000
Law Enforcement Liability	\$ 2,000,000	\$ 3,000
Buildings, Contents, Boiler & Machinery	Replacement Cost	\$ 10,000
Enhanced Crime Coverage (included in General Liability Premium)	\$ 1,000,000	None

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

The City purchases liability insurance for the Airport from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Notes to the Financial Statements

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**D. Workmen's Compensation**

The City is a member of South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage to obtain lower costs for coverage and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium to provide coverage for its employees under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Required Supplementary Information - Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue				
Property	\$ 3,936,400	\$ 3,936,400	\$ 3,934,422	\$ (1,978)
Sales	8,500,000	8,500,000	10,211,856	1,711,856
Other Taxes	311,000	311,000	298,545	(12,455)
Licenses & Permits	318,300	318,300	561,098	242,798
Intergovernmental	1,198,300	1,198,300	1,315,614	117,314
Charges for Goods and Services	1,414,800	1,414,800	1,684,222	269,422
Fines and Forfeits	55,000	55,000	20,759	(34,241)
Interest Revenue	50,000	50,000	208,270	158,270
Special Assessments	60,000	60,000	114,308	54,308
Donations/Contributions	20,000	20,000	93,311	73,311
Miscellaneous	121,500	121,500	140,199	18,699
Total Revenues	15,985,300	15,985,300	18,582,604	2,597,304
EXPENDITURES				
General Government				
Legislative	502,150	313,150	198,727	114,423
Financial Administration	1,511,150	1,511,150	1,272,879	238,271
Other	2,082,550	2,502,050	1,893,396	608,654
Public Safety				
Police	4,470,650	4,648,350	4,615,552	32,798
Fire Fighting & Prevention	1,275,700	1,369,950	1,250,940	119,010
Ambulance Service	3,225,750	3,248,050	3,048,325	199,725
Public Works				
Highways, Streets and Roadways	1,846,100	2,224,150	1,764,165	459,985
Snow Removal	683,150	1,252,470	955,730	296,740
Street Lighting	870,000	870,000	799,952	70,048
Storm Sewer/Flood/Control	54,100	54,100	45,398	8,702
Cemetery	250,500	290,800	275,539	15,261
Health and Welfare				
Mosquito Control	123,650	123,650	114,241	9,409
Animal Control	121,750	222,550	216,863	5,687
Culture and Recreation				
Forestry	389,750	930,450	802,287	128,163
Library	1,131,180	1,131,180	1,040,619	90,561
Conservation and Development				
Building Services	680,450	643,650	455,054	188,596
Total Expenditures	19,218,580	21,335,700	18,749,667	2,586,033
Excess (deficiency) of revenues over expenditures	(3,233,280)	(5,350,400)	(167,063)	5,183,337
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	-	-	466	466
Transfers In	1,991,600	1,991,600	1,991,600	-
Transfers (Out)	(2,325,000)	(2,325,000)	(2,325,000)	-
Total other financing sources (uses)	(333,400)	(333,400)	(332,934)	466
Net Change in fund balances	(3,566,680)	(5,683,800)	(499,997)	5,183,803
Fund Balances - beginning	13,666,064	13,666,064	13,666,064	-
Fund Balances - ending	\$ 10,099,384	\$ 7,982,264	\$ 13,166,067	\$ 5,183,803

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Required Supplementary Information - Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Capital Improvement Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 8,500,000	\$ 8,500,000	\$ 10,211,856	\$ 1,711,856
Intergovernmental	850,000	850,000	2,276,084	1,426,084
Interest Revenue	300,000	300,000	767,355	467,355
Donations/Contributions	-	-	2,070,000	2,070,000
Miscellaneous	50,000	50,000	159,889	109,889
Total Revenues	9,700,000	9,700,000	15,485,184	5,785,184
EXPENDITURES				
Public Works				
Street System Improvements	5,744,000	9,124,220	8,226,275	897,945
Storm Sewer/Flood Projects	350,000	626,500	236,860	389,640
Culture and Recreation				
Recreational Facility Improvements	1,536,500	5,205,930	2,655,116	2,550,814
Conservation and Development				
Industrial Park & Other Infrastructure	207,400	214,150	76,958	137,192
Debt Service	4,655,000	4,655,000	4,527,726	127,274
Total Expenditures	12,492,900	19,825,800	15,722,935	4,102,865
Excess (deficiency) of revenues over expenditures	(2,792,900)	(10,125,800)	(237,751)	9,888,049
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	-	-	199,216	199,216
Bond Issuance	-	-	239,694	239,694
Transfers Out	(300,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	(300,000)	(300,000)	138,910	438,910
Net Change in fund balances	(3,092,900)	(10,425,800)	(98,841)	10,326,959
Fund Balances - beginning	24,910,514	24,910,514	24,910,514	-
Fund Balances - ending	\$ 21,817,614	\$ 14,484,714	\$ 24,811,673	\$ 10,326,959

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Required Supplementary Information -  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 5 Fund

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Tax Revenue	\$ 215,000	\$ 215,000	\$ 217,205	\$ 2,205
Interest Revenue	100	100	-	(100)
Total revenues	215,100	215,100	217,205	2,105
<b>EXPENDITURES</b>				
Debt Service	221,000	222,000	221,254	746
Total expenditures	221,000	222,000	221,254	746
Excess (deficiency) of revenues over expenditures	(5,900)	(6,900)	(4,049)	2,851
Net change in fund balances	(5,900)	(6,900)	(4,049)	2,851
Fund balances -- beginning	(3,155,169)	(3,155,169)	(3,155,169)	-
Fund balances -- ending	\$ (3,161,069)	\$ (3,162,069)	\$ (3,159,218)	\$ 2,851

City of Watertown  
Annual Comprehensive Financial Report  
Year Ended December 31, 2022

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Capital Projects Fund (506)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenue	\$ -	\$ -	\$ 336,666	\$ 336,666
Total Revenues	-	-	336,666	336,666
<b>EXPENDITURES</b>				
Culture and Recreation	-	5,000,000	4,233,495	766,505
Debt Service	-	623,000	382,277	240,723
Total Expenditures	-	5,623,000	4,615,772	1,007,228
Excess (deficiency) of revenues over expenditures	-	(5,623,000)	(4,279,106)	1,343,894
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	-	-	28,380,306	28,380,306
Premium on Bonds Issued	-	-	2,010,404	2,010,404
Transfers In	-	-	4,446,608	4,446,608
Total other financing sources (uses)	-	-	34,837,318	34,837,318
Net Change in fund balances	-	(5,623,000)	30,558,212	36,181,212
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ -	\$ (5,623,000)	\$ 30,558,212	\$ 36,181,212



Required Supplementary Information  
Notes to Required Supplementary Information – Budgetary Reporting

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## The Schedule

The Budgetary Comparison Schedules provide comparisons of the original and legally amended budget with actual amounts on a sub-function level for the General Fund, Capital Improvement Fund, TIF #5 Fund and Capital Projects Fund (506). In addition to the required general fund presentation, the special revenue funds presented have a legally adopted annual budget and are reported as major funds in the financial statements.

The City follows legally prescribed procedures in establishing the budgetary data reflected in the financial statements as follows:

1. On or before the first regular meeting in November, the Finance Officer submits to the City Council a proposed operating budget for the General, Special Revenue, Debt Service, and Capital Project Funds based on budget requests submitted and presented by the various department heads of the City for the fiscal year commencing the following January. The operating budget includes proposed expenditures and the means of financing them. The budget is introduced by the City Council as a formal ordinance by the first meeting in September or within ten days thereafter.
2. Public hearings are conducted to obtain taxpayers comments.
3. Prior to November 30, the budget is legally enacted through passage of an ordinance. A separate ordinance certifying the tax levies to the county auditor is approved and submitted prior on or before October 1.
4. After adoption by the governing body, the expenditures incorporated in the budget for the General, Special Revenue, Debt Service, and Capital Project Funds become legally binding and the actual expenditures must be held to budgeted amounts at the department level (i.e., Finance, Police, Fire, Street, etc.) unless amended as permitted by state law or home rule charter. (See item No. 7 below).
5. The governing board may include in the General Fund an operating budget line item for contingencies pursuant to South Dakota Codified Law that cannot exceed five percent of the total operating budget. The governing board may transfer, by resolution, such amounts appropriated for contingencies to any other appropriation category in which insufficient amounts were provided or for items for which no appropriation was originally provided.
6. Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until expended, revised or repealed; the purpose of any such appropriation shall be deemed abandoned if three years pass without any disbursement from, or encumbrance of, the appropriation.
7. If it is determined during the year that sufficient amounts have not been budgeted for a particular department within the General, Special Revenue, Debt Service, and Capital Project Funds, South Dakota Codified Law allows the passage of a supplemental budget appropriation ordinance by the governing board to increase legal spending authority. Any such supplements must be adopted in accordance with the same laws governing the adoption of the annual appropriations ordinance. The budget may also be amended to appropriate state or federal grant funds that were not anticipated within the original budget. Such grant funds may be appropriated by approval of a motion to do so by a simple majority of the City Council. Bond proceeds are deemed to be formally appropriated upon bond issuance and require no further formal action by the City Council. Home Rule Charter allows the City Council to transfer unencumbered appropriation balance from one department to the appropriation of another department. Home Rule Charter also allows the finance officer to transfer part or all of any unencumbered appropriation balance among programs within a department upon approval by the council.
8. The South Dakota Codified Laws do not allow city financial officers or other appointed officers to amend the budget. The legal spending authority can be amended only by the steps described in item No. 5 and No. 7 above.

City of Watertown  
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Required Supplementary Information  
Notes to Required Supplementary Information – Budgetary Reporting

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9. Budgets are prepared for the City's funds on the same basis and using the same accounting practices as are used to prepare financial statements of the funds, which is capital outlay expenditures, are reported within the function of which they relate.

Budget Compliance

There were no material violations of the annual appropriated budget for the fiscal year ending December 31, 2022.

GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with United States GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function of which they relate.

Required Supplementary Information - Schedule of Changes in Total OPEB Liability, Related Ratios and Notes

	2018	2019	2020	2021	2022
Service Cost	\$ 56,742	\$ 65,202	\$ 63,076	\$ 85,138	\$ 100,697
Interest	48,505	43,994	47,636	54,529	42,236
Differences Between Expected and Actual Experience	-	-	682,830	-	413,831
Changes of Assumptions	49,791	(41,154)	1,906	109,071	408,282
Employer Contributions	(107,794)	(107,184)	(114,885)	(122,357)	(148,428)
Benefit Payments	-	-	-	-	-
Net Change in Total OPEB Liability	47,244	(39,142)	680,563	126,381	816,618
Total OPEB Liability Beginning of Year, as Restated	1,270,255	1,317,499	1,278,357	1,958,920	2,085,301
Total OPEB Liability End of Year	<u>\$ 1,317,499</u>	<u>\$ 1,278,357</u>	<u>\$ 1,958,920</u>	<u>\$ 2,085,301</u>	<u>\$ 2,901,919</u>

\* Due to the unavailability of historical data, we were not able to present ten years of data.

Changes in Assumptions and other inputs reflect the effects of changes in the discount rate each period.  
The following are the discount rates used in each period.

Year ended December 31, 2022	1.84%
Year ended December 31, 2021	2.00%
Year ended December 31, 2020	2.75%
Year ended December 31, 2019	3.71%
Year ended December 31, 2018	3.31%
Year ended December 31, 2017	3.81%

Required Supplementary Information - Schedule of Net Pension Liability (Asset)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Municipality's proportion of the net pension liability (asset)	0.896001%	0.879797%	0.879573%	0.852118%	0.844764%	0.846238%	0.850938%	0.868843%	0.870292%
Municipality's proportionate share of net pension liability (asset)	\$ (6,455,314)	\$ (3,731,471)	\$ 2,971,110	\$ (77,328)	\$ (19,701)	\$ (89,678)	\$ (36,956)	\$ (6,653,845)	\$ 82,242
Municipality's covered payroll	\$ 13,613,085	\$ 14,384,501	\$ 15,315,794	\$ 15,916,651	\$ 16,138,625	\$ 16,540,327	\$ 17,162,381	\$ 18,074,254	\$ 19,049,317
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-47.42%	-25.94%	19.40%	-0.49%	-0.12%	-0.54%	-0.22%	-36.81%	0.43%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%	105.52%	100.10%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is 6/30.

Due to the unavailability of historical data, we were not able to present ten years of data.

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Notes to Required Supplementary Information – Changes of Pension Terms and Assumptions

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### **Changes from Prior Valuation**

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

#### **Benefit Provision Changes**

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

#### **Actuarial Assumption Changes**

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Notes to Required Supplementary Information – Changes of Pension Terms and Assumptions

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**Actuarial Method Changes**

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Required Supplementary Information - Schedule of Contributions

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 951,692	\$ 976,596	\$ 1,023,748	\$ 1,046,362	\$ 1,057,951	\$ 1,100,867	\$ 1,146,862	\$ 1,208,844	\$ 1,306,514
Contributions in relation to the contractually required contribution	951,692	976,596	1,023,748	1,046,362	1,057,951	1,100,867	1,146,862	1,208,844	1,306,514
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered payroll	\$ 14,591,025	\$ 14,962,393	\$ 15,626,287	\$ 16,030,066	\$ 16,209,660	\$ 16,872,147	\$ 17,545,720	\$ 18,464,642	\$ 19,930,135
Contributions as a percentage of covered payroll	6.52%	6.53%	6.55%	6.53%	6.53%	6.52%	6.54%	6.55%	6.56%

\* Due to the unavailability of historical data, we were not able to present ten years of data.

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Required Supplementary Information – Infrastructure Assets Reported Using the Modified Approach

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## Water Storage Tanks

### Measurement Scale

Watertown Municipal Utilities (WMU) has water storage tanks which are infrastructure assets. The Board of Directors has determined that preserving the value of these assets is in the best interest of WMU. WMU has incorporated in its water storage tank maintenance contracts an asset management system to manage these assets. WMU has consulted with water storage tank industry experts on assessing the infrastructure condition of those assets. WMU maintains six water storage tanks using Utility Service Group's Tank Assessment Index (TAI). The condition of WMU's water storage tanks is determined using their maintenance program. The tank condition rating, TAI, is a weighted average of an assessment of the ability of individual water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good). All water storage tanks are inspected every year and washed out every other year. Repairs are done as needed.

### Established Condition Level

It is WMU's policy to keep all the water storage tanks at a condition level of not less than 5 (satisfactory).

### Assessed Conditions

The following table presents the average TAI of all rated water storage tanks.

<u>For the Year Ended</u>	<u>Tank Assessment Index</u>
December 31, 2016	8.9
December 31, 2017	9.4
December 31, 2018	9.2
December 31, 2019	9.4
December 31, 2020	9.4
December 31, 2021	9.3
December 31, 2022	9.3

### Estimated and Actual Costs to Maintain

The following table presents WMU's estimate of spending to preserve and maintain the water storage tanks at or above, the "Established Condition Level" cited above, and the actual amount spent:

<u>For the Year Ended</u>	<u>Estimated</u>	<u>Actual</u>
December 31, 2016	\$278,527	\$231,368
December 31, 2017	\$232,447	\$232,485
December 31, 2018	\$233,607	\$233,607
December 31, 2019	\$234,807	\$235,077
December 31, 2020	\$236,051	\$236,051
December 31, 2021	\$237,338	\$237,338
December 31, 2022	\$238,671	\$238,671





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Combining Balance Sheet - Nonmajor Governmental Funds

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
<b>ASSETS</b>				
Pooled Cash and Investments	\$ 5,417,324	\$ 150,595	\$ 10,425,827	\$ 15,993,746
Property Taxes Receivable	-	1,010	-	1,010
Sales Tax Receivable	91,589	-	-	91,589
Accounts Receivable	222,831	-	-	222,831
Special Assessments Receivable	366	-	-	366
Loans Receivable	1,798,897	-	-	1,798,897
Due From Other Governments	34,289	-	-	34,289
Inventory	90,745	-	-	90,745
Restricted Assets:				
Pooled Cash and Investments	3,058	-	-	3,058
Total assets	<u>7,659,099</u>	<u>151,605</u>	<u>10,425,827</u>	<u>18,236,531</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	204,239	660	53,639	258,538
Advance From Other Fund	3,250,533	-	-	3,250,533
Total liabilities	<u>3,454,772</u>	<u>660</u>	<u>53,639</u>	<u>3,509,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	326,466	-	-	326,466
Total Deferred Inflows of Resources	<u>326,466</u>	<u>-</u>	<u>-</u>	<u>326,466</u>
<b>FUND BALANCES</b>				
Nonspendable for:				
Inventory	90,745	-	-	90,745
Restricted for:				
Debt Service	-	150,945	-	150,945
Capital Projects	-	-	10,372,188	10,372,188
BBB Sales Tax	1,030,507	-	-	1,030,507
Event Center	3,058	-	-	3,058
Big Sioux River Project	78,641	-	-	78,641
E-911 Services	921,718	-	-	921,718
Library	161,898	-	-	161,898
Casualty Reserve	31,148	-	-	31,148
Assigned for:				
Park Development	71,308	-	-	71,308
Golf Course	8,100	-	-	8,100
Zoo Improvements	2,284	-	-	2,284
Other Purposes	2,928,089	-	-	2,928,089
Unassigned	(1,449,635)	-	-	(1,449,635)
Total fund balances	<u>3,877,861</u>	<u>150,945</u>	<u>10,372,188</u>	<u>14,400,994</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,659,099</u>	<u>\$ 151,605</u>	<u>\$ 10,425,827</u>	<u>\$ 18,236,531</u>

City of Watertown  
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
<b>REVENUES</b>				
Tax Revenue				
Property	\$ 1,114,824	\$ 236	\$ -	\$ 1,115,060
Sales	1,162,813	-	-	1,162,813
Intergovernmental	143,373	-	-	143,373
Charges for Goods and Services	4,167,067	-	-	4,167,067
Fines and Forfeits	9,831	-	-	9,831
Interest Revenue	97,476	14,054	201,232	312,762
Rentals	162,264	-	-	162,264
Donations/Contributions	145,711	-	-	145,711
Miscellaneous	86,101	-	-	86,101
Total revenues	<u>7,089,460</u>	<u>14,290</u>	<u>201,232</u>	<u>7,304,982</u>
<b>EXPENDITURES</b>				
Current:				
General Government	138,827	-	119,538	258,365
Public Safety	1,072,980	-	-	1,072,980
Public Works	-	-	998,120	998,120
Culture and Recreation	6,502,999	-	162,835	6,665,834
Conservation and Development	2,697,158	-	-	2,697,158
Debt Service	268,649	386,550	108,522	763,721
Total expenditures	<u>10,680,613</u>	<u>386,550</u>	<u>1,389,015</u>	<u>12,456,178</u>
Excess (deficiency) of revenues over expenditures	<u>(3,591,153)</u>	<u>(372,260)</u>	<u>(1,187,783)</u>	<u>(5,151,196)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Municipal Property	17,700	-	-	17,700
Bond Issuance	-	-	7,310,000	7,310,000
Premium on Bonds Issued	-	-	302,952	302,952
Transfers In	3,925,000	-	-	3,925,000
Transfers Out	(300,000)	-	(5,446,608)	(5,746,608)
Total other financing sources (uses)	<u>3,642,700</u>	<u>-</u>	<u>2,166,344</u>	<u>5,809,044</u>
Net Change in Fund Balances	<u>51,547</u>	<u>(372,260)</u>	<u>978,561</u>	<u>657,848</u>
Special Items	(154,163)	-	-	(154,163)
Fund balances -- beginning	3,980,477	523,205	9,393,627	13,897,309
Fund balances -- ending	<u>\$ 3,877,861</u>	<u>\$ 150,945</u>	<u>\$ 10,372,188</u>	<u>\$ 14,400,994</u>

Combining Statements

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**Nonmajor Special Revenue Funds**

**Park & Recreation Fund** – to account for the operations and maintenance of the City owned park and recreation facilities and activities except for the Prairie Lakes Wellness Center.

**BBB Sales Tax Fund** – to account for the revenues and expenditures of the special one percent (1%) city gross receipts tax on lodging, alcoholic beverages, prepared food and admissions. Revenues are restricted by State Law for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditorium, or athletic facility buildings (including the maintenance, staffing and operation of such facilities) and the promotion and advertising of the City.

**Prairie Lakes Wellness Center Fund** – to account for the operations and maintenance of the Wellness Center facilities and activities. Financing is provided by revenues from memberships, program fees and inter-fund transfers.

**Casualty Reserve Fund** – to account for the revenues and expenditures to replace and repair property of the City which was damaged or lost as a result of a casualty loss that was not covered by insurance.

**E-911 Emergency Fund** – to account for the \$1.25 per phone line surcharge assessed to customers of private phone companies operating within Codrington County. These funds are used to defray the costs incurred by the City in providing emergency dispatch services.

**Library Fines Fund** – to account for the revenue derived from library fines and other allowed charges. Expenditures are authorized by the Library Board.

**Urban Renewal Fund** – to account for the revenues and expenditures authorized by the Urban Renewal Board for the uptown projects and to account for loans made by the Board to businesses within the uptown district and the repayments on these loans. Funding for the original loans was received as part of a Community Development Block Grant (CDBG) in the 1980's.

**Big Sioux River Project Fund** - to account for the revenues and expenditures of the watershed improvement project. The project will reduce siltation entering the Big Sioux River and Lake Kampeska. The project is funded by a Section 319 EPA federal grant and various other state, local, and private sources.

**Tax Increment Financing 1 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #1. This TID was created to capture the incremental tax revenue generated by development of the Hanten Industrial Park and to pay for infrastructure improvements in the park.

**Tax Increment Financing 2 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #2. This TID was created to capture the incremental tax revenue generated by development of the Mallard Point Business Park and to pay for infrastructure improvements in the park.

**Tax Increment Financing 6 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #6. This TID was created to capture the incremental tax revenue generated by development of the Pheasant Ridge Industrial Park and to pay for site improvements, land costs and road improvements in the park.

**Tax Increment Financing 7 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #7. This TID was created to capture the incremental tax revenue generated by development of the new Terex Facility and to pay for site improvements, land costs and improvements.

**Tax Increment Financing 8 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #8. This TID was created to capture the incremental tax revenue generated by development of the Calvin Industrial Park and to pay for site improvements and public use areas.

Combining Statements

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**Tax Increment Financing 9 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #9. This TID was created to capture the incremental tax revenue generated by development of the Calvin Industrial Park and to pay for site improvements and public use areas.

**Tax Increment Financing 10 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #10. This TID was created to capture the incremental tax revenue generated by development of The Lofts and to pay for site improvements and public use areas.

**Tax Increment Financing 11 Fund** – to account for the revenues and expenditures of the Tax Increment District (TID) #11. This TID was created to capture the incremental tax revenue generated by development of the Marketplace and to pay for site improvements and public use areas.

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Combining Balance Sheet - Nonmajor Special Revenue Funds

	Park & Recreation Fund	BBB Sales Tax Fund	Prairie Lakes Wellness Center Fund	Casualty Reserve Fund	E-911 Emergency Fund	Library Fines Fund	Urban Renewal Fund	Big Sioux River Project Fund
<b>ASSETS</b>								
Current assets:								
Pooled Cash and Investments	\$ 2,787,774	\$ 1,093,933	\$ 193,735	\$ 31,148	\$ 906,281	\$ 169,949	\$ 61,078	\$ 79,236
Sales Tax Receivable	-	91,589	-	-	-	-	-	-
Accounts Receivable	1,411	-	128,250	-	93,170	-	-	-
Special Assessments Receivable	-	-	-	-	-	-	366	-
Loans Receivable	-	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	-	34,289	-	-	-
Inventory	90,745	-	-	-	-	-	-	-
Restricted Cash	-	3,058	-	-	-	-	-	-
Total assets	2,879,930	1,188,580	321,985	31,148	1,033,740	169,949	61,444	79,236
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	63,387	64,754	61,974	-	5,478	8,051	-	595
Advance From Other Fund	-	-	-	-	-	-	-	-
Total liabilities	63,387	64,754	61,974	-	5,478	8,051	-	595
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue	1,411	90,261	128,250	-	106,544	-	-	-
Total Deferred Inflows of Resources	1,411	90,261	128,250	-	106,544	-	-	-
<b>FUND BALANCES</b>								
Nonspendable for:								
Inventory	90,745	-	-	-	-	-	-	-
Restricted for:								
BBB Sales Tax	-	1,030,507	-	-	-	-	-	-
Event Center	-	3,058	-	-	-	-	-	-
Big Sioux River Project	-	-	-	-	-	-	-	78,641
E-911 Services	-	-	-	-	921,718	-	-	-
Library	-	-	-	-	-	161,898	-	-
Casualty Reserve	-	-	-	31,148	-	-	-	-
Assigned for:								
Park Development	71,308	-	-	-	-	-	-	-
Golf Course	8,100	-	-	-	-	-	-	-
Zoo Improvements	2,284	-	-	-	-	-	-	-
Other Purposes	2,642,695	-	131,761	-	-	-	61,444	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	2,815,132	1,033,565	131,761	31,148	921,718	161,898	61,444	78,641
Total liabilities, deferred inflows of resources and fund balance	\$ 2,879,930	\$ 1,188,580	\$ 321,985	\$ 31,148	\$ 1,033,740	\$ 169,949	\$ 61,444	\$ 79,236

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Combining Balance Sheet - Nonmajor Special Revenue Funds(continued)

Tax Increment Financing 1 Fund	Tax Increment Financing 2 Fund	Tax Increment Financing 6 Fund	Tax Increment Financing 7 Fund	Tax Increment Financing 8 Fund	Tax Increment Financing 9 Fund	Tax Increment Financing 10 Fund	Tax Increment Financing 11 Fund	Total
\$ -	\$ 2,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,189	\$ 5,417,324
-	-	-	-	-	-	-	-	91,589
-	-	-	-	-	-	-	-	222,831
-	-	-	-	-	-	-	-	366
-	-	-	-	-	-	1,798,897	-	1,798,897
-	-	-	-	-	-	-	-	34,289
-	-	-	-	-	-	-	-	90,745
-	-	-	-	-	-	-	-	3,058
-	2,001	-	-	-	-	1,798,897	92,189	7,659,099
-	-	-	-	-	-	-	-	204,239
-	1,451,636	-	-	-	-	1,798,897	-	3,250,533
-	1,451,636	-	-	-	-	1,798,897	-	3,454,772
-	-	-	-	-	-	-	-	326,466
-	-	-	-	-	-	-	-	326,466
-	-	-	-	-	-	-	-	90,745
-	-	-	-	-	-	-	-	1,030,507
-	-	-	-	-	-	-	-	3,058
-	-	-	-	-	-	-	-	78,641
-	-	-	-	-	-	-	-	921,718
-	-	-	-	-	-	-	-	161,898
-	-	-	-	-	-	-	-	31,148
-	-	-	-	-	-	-	-	71,308
-	-	-	-	-	-	-	-	8,100
-	-	-	-	-	-	-	-	2,284
-	-	-	-	-	-	-	92,189	2,928,089
-	(1,449,635)	-	-	-	-	-	-	(1,449,635)
-	(1,449,635)	-	-	-	-	-	92,189	3,877,861
\$ -	\$ 2,001	\$ -	\$ -	\$ -	\$ -	\$ 1,798,897	\$ 92,189	\$ 7,659,099

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Nonmajor Special Revenue Funds

	Park & Recreation Fund	BBB Sales Tax Fund	Prairie Lakes Wellness Center Fund	Casualty Reserve Fund	E-911 Emergency Fund	Library Fines Fund	Urban Renewal Fund	Big Sioux River Project Fund
<b>REVENUES</b>								
Tax Revenue								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	1,162,813	-	-	-	-	-	-
Intergovernmental	-	-	-	-	83,373	60,000	-	-
Charges for Goods and Services	2,046,524	-	1,487,809	-	632,734	-	-	-
Fines and Forfeits	-	-	-	-	-	9,831	-	-
Interest Revenue	47,832	19,214	5,539	715	19,281	3,495	1,400	-
Rentals	161,538	-	726	-	-	-	-	-
Donations/ Contributions	63,914	-	59,795	-	-	22,002	-	-
Miscellaneous	35,792	-	9,062	-	24,011	17,236	-	-
Total revenues	2,355,600	1,182,027	1,562,931	715	759,399	112,564	1,400	-
<b>EXPENDITURES</b>								
Current:								
General Government	-	138,827	-	-	-	-	-	-
Public Safety	-	-	-	-	1,072,980	-	-	-
Culture and Recreation	4,786,000	-	1,614,914	-	-	102,085	-	-
Conservation and Development	-	447,057	-	-	-	-	-	57,980
Debt Service	-	-	-	-	-	-	-	-
Total expenditures	4,786,000	585,884	1,614,914	-	1,072,980	102,085	-	57,980
Excess (deficiency) of revenues over expenditures	(2,430,400)	596,143	(51,983)	715	(313,581)	10,479	1,400	(57,980)
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of Municipal Property	17,700	-	-	-	-	-	-	-
Transfers In	3,500,000	-	-	-	375,000	-	-	50,000
Transfers Out	-	(300,000)	-	-	-	-	-	-
Total other financing sources (uses)	3,517,700	(300,000)	-	-	375,000	-	-	50,000
Net change in fund balances	1,087,300	296,143	(51,983)	715	61,419	10,479	1,400	(7,980)
Special Items	-	-	-	-	-	-	-	-
Fund balances -- beginning	1,727,832	737,422	183,744	30,433	860,299	151,419	60,044	86,621
Fund balances -- ending	\$ 2,815,132	\$ 1,033,565	\$ 131,761	\$ 31,148	\$ 921,718	\$ 161,898	\$ 61,444	\$ 78,641



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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Nonmajor Special Revenue Funds (continued)

Tax Increment Financing 1 Fund	Tax Increment Financing 2 Fund	Tax Increment Financing 6 Fund	Tax Increment Financing 7 Fund	Tax Increment Financing 8 Fund	Tax Increment Financing 9 Fund	Tax Increment Financing 10 Fund	Tax Increment Financing 11 Fund	Total
\$ 423,784	\$ 68,295	\$ 185,238	\$ 360,491	\$ 43,478	\$ 32,434	\$ 664	\$ 440	\$ 1,114,824
-	-	-	-	-	-	-	-	1,162,813
-	-	-	-	-	-	-	-	143,373
-	-	-	-	-	-	-	-	4,167,067
-	-	-	-	-	-	-	-	9,831
-	-	-	-	-	-	-	-	97,476
-	-	-	-	-	-	-	-	162,264
-	-	-	-	-	-	-	-	145,711
-	-	-	-	-	-	-	-	86,101
423,784	68,295	185,238	360,491	43,478	32,434	664	440	7,089,460
-	-	-	-	-	-	-	-	138,827
-	-	-	-	-	-	-	-	1,072,980
-	-	-	-	-	-	-	-	6,502,999
-	-	-	360,491	43,478	32,434	664	1,755,054	2,697,158
20,597	100,282	1,609	-	-	-	-	146,161	268,649
20,597	100,282	1,609	360,491	43,478	32,434	664	1,901,215	10,680,613
403,187	(31,987)	183,629	-	-	-	-	(1,900,775)	(3,591,153)
-	-	-	-	-	-	-	-	17,700
-	-	-	-	-	-	-	-	3,925,000
-	-	-	-	-	-	-	-	(300,000)
-	-	-	-	-	-	-	-	3,642,700
403,187	(31,987)	183,629	-	-	-	-	(1,900,775)	51,547
(12,796)	-	(141,367)	-	-	-	-	-	(154,163)
(390,391)	(1,417,648)	(42,262)	-	-	-	-	1,992,964	3,980,477
\$ -	\$ (1,449,635)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,189	\$ 3,877,861

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Park and Recreation Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for Goods and Services	\$ 1,614,000	\$ 1,614,000	\$ 2,046,524	\$ 432,524
Interest Revenue	15,000	15,000	47,832	32,832
Rentals	144,300	144,300	161,538	17,238
Donations/Contributions	46,000	46,000	63,914	17,914
Miscellaneous	21,200	21,200	35,792	14,592
Total revenues	1,840,500	1,840,500	2,355,600	515,100
<b>EXPENDITURES</b>				
Culture and Recreation	4,817,350	5,227,150	4,786,000	441,150
Total expenditures	4,817,350	5,227,150	4,786,000	441,150
Excess (deficiency) of revenues over expenditures	(2,976,850)	(3,386,650)	(2,430,400)	956,250
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Municipal Property	-	-	17,700	17,700
Transfers In	2,500,000	2,500,000	3,500,000	1,000,000
Total other financing sources (uses)	2,500,000	2,500,000	3,517,700	1,017,700
Net change in fund balances	(476,850)	(886,650)	1,087,300	1,973,950
Changes in Accounting Estimate	-	-	-	-
Fund balances -- beginning	1,727,832	1,727,832	1,727,832	-
Fund balances -- ending	\$ 1,250,982	\$ 841,182	\$ 2,815,132	\$ 1,973,950

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - BBB Sales Tax Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Tax Revenue				
Sales	\$ 910,000	\$ 910,000	\$ 1,162,813	\$ 252,813
Interest Revenue	1,500	1,500	19,214	17,714
Total revenues	911,500	911,500	1,182,027	270,527
<b>EXPENDITURES</b>				
General Government	173,900	173,900	138,827	35,073
Conservation and Development	425,000	454,100	447,057	7,043
Total expenditures	598,900	628,000	585,884	42,116
Excess (deficiency) of revenues over expenditures	312,600	283,500	596,143	312,643
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(300,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	(300,000)	(300,000)	(300,000)	-
Net change in fund balances	12,600	(16,500)	296,143	312,643
Fund balances -- beginning	737,422	737,422	737,422	-
Fund balances -- ending	\$ 750,022	\$ 720,922	\$ 1,033,565	\$ 312,643

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Prairie Lakes Wellness Center Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for Goods and Services	\$ 1,678,000	\$ 1,678,000	\$ 1,487,809	\$ (190,191)
Interest Revenue	3,000	3,000	5,539	2,539
Rentals	5,000	5,000	726	(4,274)
Donations/Contributions	-	-	59,795	59,795
Miscellaneous	-	-	9,062	9,062
Total revenues	1,686,000	1,686,000	1,562,931	(123,069)
EXPENDITURES				
Culture and Recreation	1,650,100	1,766,600	1,614,914	151,686
Total expenditures	1,650,100	1,766,600	1,614,914	151,686
Excess (deficiency) of revenues over expenditures	35,900	(80,600)	(51,983)	28,617
Net change in fund balances	35,900	(80,600)	(51,983)	28,617
Fund balances -- beginning	183,744	183,744	183,744	-
Fund balances -- ending	\$ 219,644	\$ 103,144	\$ 131,761	\$ 28,617

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Casualty Reserve Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Interest Revenue	\$ -	\$ -	\$ 715	\$ 715
Total revenues	-	-	715	715
<b>EXPENDITURES</b>				
General Government	15,000	15,000	-	15,000
Total expenditures	15,000	15,000	-	15,000
Excess (deficiency) of revenues over expenditures	(15,000)	(15,000)	715	15,715
Net change in fund balances	(15,000)	(15,000)	715	15,715
Fund balances -- beginning	30,433	30,433	30,433	-
Fund balances -- ending	\$ 15,433	\$ 15,433	\$ 31,148	\$ 15,715

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - E-911 Emergency Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 83,373	\$ 83,373
Charges for Goods and Services	633,000	633,000	632,734	(266)
Interest Revenue	-	-	19,281	19,281
Miscellaneous	-	-	24,011	24,011
Total revenues	633,000	633,000	759,399	126,399
<b>EXPENDITURES</b>				
Public Safety	1,155,150	1,155,150	1,072,980	82,170
Total expenditures	1,155,150	1,155,150	1,072,980	82,170
Excess (deficiency) of revenues over expenditures	(522,150)	(522,150)	(313,581)	208,569
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	375,000	375,000	375,000	-
Total other financing sources (uses)	375,000	375,000	375,000	-
Net change in fund balances	(147,150)	(147,150)	61,419	208,569
Fund balances -- beginning	860,299	860,299	860,299	-
Fund balances -- ending	\$ 713,149	\$ 713,149	\$ 921,718	\$ 208,569

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Library Fines Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 60,000	\$ 60,000
Fines and Forfeits	8,000	8,000	9,831	1,831
Interest Revenue	2,000	2,000	3,495	1,495
Donations/Contributions	7,000	7,000	22,002	15,002
Miscellaneous	10,000	10,000	17,236	7,236
Total revenues	27,000	27,000	112,564	85,564
<b>EXPENDITURES</b>				
Culture and Recreation	58,850	142,950	102,085	40,865
Total expenditures	58,850	142,950	102,085	40,865
Excess (deficiency) of revenues over expenditures	(31,850)	(115,950)	10,479	126,429
Net change in fund balances	(31,850)	(115,950)	10,479	126,429
Fund balances -- beginning	151,419	151,419	151,419	-
Fund balances -- ending	\$ 119,569	\$ 35,469	\$ 161,898	\$ 126,429

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Urban Renewal Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenue	\$ -	\$ -	\$ 1,400	\$ 1,400
Rentals	2,400	2,400	-	(2,400)
Total revenues	2,400	2,400	1,400	(1,000)
Excess (deficiency) of revenues over expenditures	2,400	2,400	1,400	(1,000)
Net change in fund balances	2,400	2,400	1,400	(1,000)
Fund balances -- beginning	60,044	60,044	60,044	-
Fund balances -- ending	\$ 62,444	\$ 62,444	\$ 61,444	\$ (1,000)



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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Big Sioux River Project Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Donations/Contributions	\$ 113,000	\$ 113,000	\$ -	\$ (113,000)
Total revenues	113,000	113,000	-	(113,000)
<b>EXPENDITURES</b>				
Conservation and Development	201,700	201,700	57,980	143,720
Total expenditures	201,700	201,700	57,980	143,720
Excess (deficiency) of revenues over expenditures	(88,700)	(88,700)	(57,980)	30,720
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	100,000	100,000	50,000	(50,000)
Total other financing sources (uses)	100,000	100,000	50,000	(50,000)
Net change in fund balances	11,300	11,300	(7,980)	(19,280)
Fund balances -- beginning	86,621	86,621	86,621	-
Fund balances -- ending	\$ 97,921	\$ 97,921	\$ 78,641	\$ (19,280)

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Tax Increment Financing 1 Fund

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Tax Revenue	\$ 419,000	\$ 419,000	\$ 423,784	\$ 4,784
Interest Revenue	200	200	-	(200)
Total Revenues	419,200	419,200	423,784	4,584
<b>EXPENDITURES</b>				
Debt Service	30,000	30,000	20,597	9,403
Total Expenditures	30,000	30,000	20,597	9,403
Excess (deficiency) of revenues over expenditures	389,200	389,200	403,187	13,987
Net Change in fund balances	389,200	389,200	403,187	13,987
Special Items	(15,000)	(15,000)	(12,796)	2,204
Fund Balances -- beginning	(390,391)	(390,391)	(390,391)	-
Fund Balances -- ending	\$ (16,191)	\$ (16,191)	\$ -	\$ 16,191

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 2 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Tax Revenue	\$ 68,000	\$ 68,000	\$ 68,295	\$ 295
Interest Revenue	50	50	-	(50)
Total Revenues	68,050	68,050	68,295	245
<b>EXPENDITURES</b>				
Debt Service	101,000	101,000	100,282	718
Total Expenditures	101,000	101,000	100,282	718
Excess (deficiency) of revenues over expenditures	(32,950)	(32,950)	(31,987)	963
Net Change in fund balances	(32,950)	(32,950)	(31,987)	963
Fund Balances -- beginning	(1,417,648)	(1,417,648)	(1,417,648)	-
Fund Balances -- ending	\$ (1,450,598)	\$ (1,450,598)	\$ (1,449,635)	\$ 963

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 6 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Tax Revenue	\$ 184,300	\$ 184,300	\$ 185,238	\$ 938
Interest Revenue	100	100	-	(100)
Total revenues	184,400	184,400	185,238	838
<b>EXPENDITURES</b>				
Debt Service	3,000	3,000	1,609	1,391
Total expenditures	3,000	3,000	1,609	1,391
Excess (deficiency) of revenues over expenditures	181,400	181,400	183,629	2,229
Net Change in fund balances	181,400	181,400	183,629	2,229
Special Items	(142,000)	(142,000)	(141,367)	633
Fund balances -- beginning	(42,262)	(42,262)	(42,262)	-
Fund balances -- ending	\$ (2,862)	\$ (2,862)	\$ -	\$ 2,862

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 7 Fund

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Tax Revenue	\$ 358,800	\$ 358,800	\$ 360,491	\$ 1,691
Total revenues	358,800	358,800	360,491	1,691
<b>EXPENDITURES</b>				
Conservation and Development	358,800	360,800	360,491	309
Total expenditures	358,800	360,800	360,491	309
Excess (deficiency) of revenues over expenditures	-	(2,000)	-	2,000
Net change in fund balances	-	(2,000)	-	2,000
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ (2,000)	\$ -	\$ 2,000

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 8 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Tax Revenue	\$ 43,300	\$ 43,300	\$ 43,478	\$ 178
Total revenues	43,300	43,300	43,478	178
<b>EXPENDITURES</b>				
Conservation and Development	43,300	43,800	43,478	322
Total expenditures	43,300	43,800	43,478	322
Excess (deficiency) of revenues over expenditures	-	(500)	-	500
Net change in fund balances	-	(500)	-	500
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ (500)	\$ -	\$ 500

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 9 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Tax Revenue	\$ 32,300	\$ 32,300	\$ 32,434	\$ 134
Total revenues	32,300	32,300	32,434	134
<b>EXPENDITURES</b>				
Conservation and Development	32,300	32,800	32,434	366
Total expenditures	32,300	32,800	32,434	366
Excess (deficiency) of revenues over expenditures	-	(500)	-	500
Net change in fund balances	-	(500)	-	500
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ (500)	\$ -	\$ 500

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 10 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Tax Revenue	\$ 670	\$ 670	\$ 664	\$ (6)
Total revenues	670	670	664	(6)
<b>EXPENDITURES</b>				
Conservation and Development	670	670	664	6
Total expenditures	670	670	664	6
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ -



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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual -Tax Increment Financing 11 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Tax Revenue	\$ 450	\$ 450	\$ 440	\$ (10)
Total revenues	450	450	440	(10)
<b>EXPENDITURES</b>				
Current:				
Conservation and Development	-	1,755,450	1,755,054	396
Debt Service	450	147,000	146,161	839
Total expenditures	450	1,902,450	1,901,215	1,235
Excess (deficiency) of revenues over expenditures	-	(1,902,000)	(1,900,775)	1,225
Net change in fund balances	-	(1,902,000)	(1,900,775)	1,225
Fund balances -- beginning	1,992,964	1,992,964	1,992,964	-
Fund balances -- ending	\$ 1,992,964	\$ 90,964	\$ 92,189	\$ 1,225

Combining Statements

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**Nonmajor Debt Service Funds**

**GO Bond** – to account for the general obligation bonds issued in 2002 for the construction of the Watertown Event Center and the refinancing bonds issued in 2010 and 2016.

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Combining Balance Sheet - Nonmajor Debt Service Fund

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	<b>GO Bonds</b>
<b>ASSETS</b>	
Current assets:	
Pooled Cash and Investments	\$ 150,595
Property Taxes Receivable	1,010
Total assets	<u>151,605</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	660
Total Liabilities	<u>660</u>
<b>FUND BALANCES</b>	
Restricted for:	
Debt Service	150,945
Total fund balances	<u>150,945</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 151,605</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Nonmajor Debt Service Fund

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	<u>GO Bonds</u>
<b>REVENUES</b>	
Tax Revenue	
Property	\$ 236
Interest Revenue	<u>14,054</u>
Total revenues	<u>14,290</u>
<b>EXPENDITURES</b>	
Debt Service	<u>386,550</u>
Total expenditures	<u>386,550</u>
Excess (deficiency) of revenues over expenditures	(372,260)
Fund balances -- beginning	<u>523,205</u>
Fund balances -- ending	<u>\$ 150,945</u>

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - GO Bond Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue				
Property	\$          -	\$          -	\$          236	\$          236
Interest Revenue	-	-	14,054	14,054
Total revenues	-	-	14,290	14,290
EXPENDITURES				
Debt Service	-	386,000	386,550	(550)
Total expenditures	-	386,000	386,550	(550)
Excess (deficiency) of revenues over expenditures	-	(386,000)	(372,260)	13,740
Net change in fund balances	-	(386,000)	(372,260)	13,740
Fund balances -- beginning	523,205	523,205	523,205	-
Fund balances -- ending	\$          523,205	\$          137,205	\$          150,945	\$          13,740

Combining Statements

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**Nonmajor Capital Projects Funds**

**Capital Project Fund (504)** – to account for the Sales Tax Revenue Bond proceeds that will be used for the construction of the Prairie Lakes Wellness Center, Premier Softball complex and a future two-sheets of ice complex.

**Capital Project Fund (505)** – to account for the Sales Tax Revenue Bond proceeds that will be used for the purchase and renovation of a new City Hall, 10<sup>th</sup> Ave. NE street reconstruction and land purchase and construction of a new Street Facility.

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Combining Balance Sheet - Nonmajor Capital Projects Funds

	Capital Projects Fund (504)	Capital Projects Fund (505)	Total Capital Projects Funds
<b>ASSETS</b>			
Current assets:			
Pooled Cash and Investments	\$ -	\$ 10,425,827	\$ 10,425,827
Total assets	-	10,425,827	10,425,827
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	-	53,639	53,639
Total Liabilities	-	53,639	53,639
<b>FUND BALANCES</b>			
Restricted for:			
Capital Projects	-	10,372,188	10,372,188
Total fund balances	-	10,372,188	10,372,188
Total liabilities, deferred inflow of resources and fund balances	\$ -	\$ 10,425,827	\$ 10,425,827

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Nonmajor Capital Projects Funds

	Capital Projects Fund (504)	Capital Projects Fund (505)	Total Capital Projects Funds
<b>REVENUES</b>			
Interest Revenue	\$ 49,701	\$ 151,531	\$ 201,232
Total revenues	49,701	151,531	201,232
<b>EXPENDITURES</b>			
General Government	-	119,538	119,538
Public Works	-	998,120	998,120
Culture and Recreation	162,835	-	162,835
Debt Service	-	108,522	108,522
Total expenditures	162,835	1,226,180	1,389,015
Excess (deficiency) of revenues over expenditures	(113,134)	(1,074,649)	(1,187,783)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issuance	-	7,310,000	7,310,000
Premium on Bonds Issued	-	302,952	302,952
Transfer Out	(5,446,608)	-	(5,446,608)
Total other financing sources (uses)	(5,446,608)	7,612,952	2,166,344
Net Change in Fund Balance	(5,559,742)	6,538,303	978,561
Fund balances -- beginning	5,559,742	3,833,885	9,393,627
Fund balances -- ending	-	\$ 10,372,188	\$ 10,372,188



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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Capital Projects Fund (504)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Interest Revenue	\$ -	\$ -	\$ 49,701	\$ 49,701
Total Revenues	-	-	49,701	49,701
<b>EXPENDITURES</b>				
Culture and Recreation	163,000	163,000	162,835	165
Total Expenditures	163,000	163,000	162,835	165
Excess (deficiency) of revenues over expenditures	(163,000)	(163,000)	(113,134)	49,866
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (Out)	(5,447,000)	(5,447,000)	(5,446,608)	392
Total other financing sources (uses)	(5,447,000)	(5,447,000)	(5,446,608)	392
Net Change in fund balances	(5,610,000)	(5,610,000)	(5,559,742)	50,258
Fund Balances - beginning	5,559,742	5,559,742	5,559,742	-
Fund Balances - ending	\$ (50,258)	\$ (50,258)	\$ -	\$ 50,258

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Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Capital Projects Fund (505)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenue	\$ -	\$ -	\$ 151,531	\$ 151,531
Total Revenues	-	-	151,531	151,531
<b>EXPENDITURES</b>				
General Government	3,385,000	3,385,000	119,538	3,265,462
Public Works	7,500,000	7,500,000	998,120	6,501,880
Debt Service	-	-	108,522	(108,522)
Total Expenditures	10,885,000	10,885,000	1,226,180	9,658,820
Excess (deficiency) of revenues over expenditures	(10,885,000)	(10,885,000)	(1,074,649)	9,810,351
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	7,500,000	7,500,000	7,310,000	(190,000)
Premium on Bonds Issued	-	-	302,952	302,952
Total other financing sources (uses)	7,500,000	7,500,000	7,612,952	112,952
Net Change in fund balances	(3,385,000)	(3,385,000)	6,538,303	9,923,303
Fund Balances - beginning	3,833,885	3,833,885	3,833,885	-
Fund Balances - ending	\$ 448,885	\$ 448,885	\$ 10,372,188	\$ 9,923,303

Combining Statements

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**Nonmajor Enterprise Funds**

**Solid Waste Fund** – to account for solid waste services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing and collection.

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Combining Statement of Net Position - Nonmajor Proprietary Funds

	Enterprise Funds	
	Solid Waste Fund	Total
<b>ASSETS</b>		
Current assets:		
Pooled Cash and Investments	\$ 3,399,456	\$ 3,399,456
Accounts Receivable	305,194	305,194
Due From Other Governments	184,952	184,952
Inventory	23,792	23,792
Net Pension Asset	3,499	3,499
Restricted Cash	1,300,846	1,300,846
Total Current assets:	5,217,739	5,217,739
Noncurrent assets:		
Land	685,743	685,743
Buildings and Structures	993,472	993,472
Furniture Equipment Machinery	5,967,646	5,967,646
Improvements Other Than Buildings	6,108,854	6,108,854
Construction in Progress	2,231,108	2,231,108
Accumulated Depreciation	(5,995,092)	(5,995,092)
Total Noncurrent assets:	9,991,731	9,991,731
Total assets	15,209,470	15,209,470
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Deferred Outflows	318,251	318,251
OPEB Related Deferred Outflows	51,060	51,060
Total Deferred Outflows of Resources	369,311	369,311
<b>LIABILITIES</b>		
Current liabilities:		
Accounts Payable	956,082	956,082
Loans Payable	15,571	15,571
Retainage Payable	111,675	111,675
Accrued interest payable	9,052	9,052
Accrued Vacation and Sick Leave	41,192	41,192
Total Current liabilities:	1,133,572	1,133,572
Noncurrent liabilities:		
Accrued Vacation and Sick Leave	123,578	123,578
Net OPEB Liability	119,564	119,564
Closure/Post Closure Liability	1,300,846	1,300,846
Loans Payable	1,468,309	1,468,309
Total Noncurrent liabilities:	3,012,297	3,012,297
Total liabilities	4,145,869	4,145,869
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Deferred Inflows	203,940	203,940
OPEB Related Deferred Inflows	4,160	4,160
Total Deferred Inflows of Resources	208,100	208,100
<b>NET POSITION</b>		
Net Investment in Capital Assets	8,396,176	8,396,176
Restricted for SDRS Pension Purposes	117,810	117,810
Unrestricted	2,710,826	2,710,826
Total net position	\$ 11,224,812	\$ 11,224,812

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Combining Statement of Revenues, Expenses, and Changes in Net Position-  
Nonmajor Proprietary Funds

	<b>Enterprise Funds</b>	
	<b>Solid Waste Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for Goods and Services	\$ 3,746,365	\$ 3,746,365
Miscellaneous	40,149	40,149
Total Operating revenues	3,786,514	3,786,514
<b>OPERATING EXPENSES</b>		
Personal Services	1,256,198	1,256,198
Supplies	357,875	357,875
Utilities	49,461	49,461
Other Charges	948,406	948,406
Depreciation	514,027	514,027
Total operating expenses	3,125,967	3,125,967
Operating Income (Loss)	660,547	660,547
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Revenue	84,335	84,335
Interest Expense	(10,399)	(10,399)
Bond Issuance Cost	(17,005)	(17,005)
Contributions	(80,000)	(80,000)
Gain(Loss) on Disposition of Capital Assets	27,000	27,000
Total nonoperating revenues (expenses)	3,931	3,931
Income (loss) before contributions and transfers	664,478	664,478
Capital Contributions	608,334	608,334
Transfers Out	(235,000)	(235,000)
Change in net position	1,037,812	1,037,812
Total net position -- beginning	10,187,000	10,187,000
Total net position -- ending	\$ 11,224,812	\$ 11,224,812

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Combining Statement of Cash Flows - Nonmajor Proprietary Funds

	<b>Enterprise Funds</b>	
	<b>Solid Waste Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customer including deposits	\$ 3,779,850	\$ 3,779,850
Payments to suppliers	(514,210)	(514,210)
Payments to employees	(1,286,880)	(1,286,880)
Other Operating Cash Receipts	40,149	40,149
Net cash provided (used) by operating activities	2,018,909	2,018,909
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contribution	(80,000)	(80,000)
Transfers Out	(235,000)	(235,000)
Net cash provided (used) by noncapital financing activities	(315,000)	(315,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	558,209	558,209
Acquisition and construction of capital assets	(2,831,212)	(2,831,212)
Interest payments on SRF Loan	(1,347)	(1,347)
Proceeds from SRF Loan	1,293,173	1,293,173
Principal payments on SRF Loan	(15,264)	(15,264)
Cost of Bond Issuance	(17,005)	(17,005)
Net cash provided (used) by capital and related financing activities	(1,013,446)	(1,013,446)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	84,383	84,383
Net cash provided by investing activities	84,383	84,383
Net increase (decrease) in cash and cash equivalents	774,846	774,846
Pooled Cash and Investments - beginning of year	3,925,456	3,925,456
Pooled Cash and Investments - end of year	4,700,302	4,700,302
Less Restricted Pooled Cash and Investments	(1,300,846)	(1,300,846)
Pooled Cash and Investment Per Balance Sheet	\$ 3,399,456	\$ 3,399,456
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 660,547	\$ 660,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	514,027	514,027
Changes in Assets and Liabilities:		
Accounts Payable - Other	(108)	(108)
Accounts Payable - Supplier	840,336	840,336
Customer Receivables	33,485	33,485
Net Pension Asset	289,838	289,838
Deferred Outflows Related to Pensions	56,774	56,774
Deferred Outflows Related to OPEB	(25,376)	(25,376)
Inventory	1,304	1,304
Other Post Employment Benefits	36,137	36,137
Deferred Inflows Related to Pensions	(363,493)	(363,493)
Deferred Inflows Related to OPEB	(759)	(759)
Salaries & Benefits Payable	(23,803)	(23,803)
Net Cash provided (used) by operating activities	\$ 2,018,909	\$ 2,018,909

## Statistical Section

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This part of the City of Watertown's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Contents	Page
Financial Trends	120
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	130
<i>These schedules contain information to help the reader assess two of the government's significant local revenue sources, property and sales tax.</i>	
Debt Capacity	132
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt, and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	137
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	139
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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Statistics (Unaudited)

**Table 1**  
**Net Position by Component (accrual basis of accounting)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016
Governmental Activities				
Net Investment in Capital Assets	\$ 90,859,225	\$ 87,327,962	\$ 103,295,621	\$ 106,608,222
Restricted	3,729,910	14,701,445	31,242,916	14,965,449
Unrestricted	21,011,647	19,907,113	(606,514)	17,255,717
Total Governmental Activities Net Position	115,600,782	121,936,520	133,932,023	138,829,388
Business-Type Activities				
Net Investment in Capital Assets	120,161,321	124,349,767	132,695,267	139,508,003
Restricted	5,123,610	3,784,553	4,957,340	4,526,651
Unrestricted	18,435,648	20,265,716	19,743,815	19,525,178
Total Business-Type Activities Net Position	143,720,579	148,400,036	157,396,422	163,559,832
Primary Government				
Net Investment in Capital Assets	211,020,546	211,677,729	235,990,888	246,116,225
Restricted	8,853,520	18,485,998	36,200,256	19,492,100
Unrestricted	39,447,295	40,172,829	19,137,301	36,780,895
Total Primary Government Net Position	\$ 259,321,361	\$ 270,336,556	\$ 291,328,445	\$ 302,389,220



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Statistics (Unaudited)

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	2017		2018		2019		2020		2021		2022
\$	107,518,102	\$	111,229,268	\$	113,700,057	\$	118,593,087	\$	115,413,286	\$	124,189,936
	14,607,671		17,388,981		17,223,431		12,741,599		17,419,596		17,414,936
	23,286,242		21,131,466		22,545,867		30,994,061		33,607,408		29,958,313
	145,412,015		149,749,715		153,469,355		162,328,747		166,440,290		171,563,185
	149,623,847		153,019,100		159,199,656		169,097,484		180,859,077		201,244,854
	5,514,896		4,418,429		3,372,870		3,419,974		4,918,341		6,632,402
	20,132,551		25,132,526		25,567,692		28,119,438		35,768,665		39,008,313
	175,271,294		182,570,055		188,140,218		200,636,896		221,546,083		246,885,569
	257,141,949		264,248,368		272,899,713		287,690,571		296,272,363		325,434,790
	20,122,567		21,807,410		20,596,301		16,161,573		22,337,937		24,047,338
	43,418,793		46,263,992		48,113,559		59,113,499		69,376,073		68,966,626
\$	320,683,309	\$	332,319,770	\$	341,609,573	\$	362,965,643	\$	387,986,373	\$	418,448,754

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Statistics (Unaudited)

**Table 2**  
**Changes in Net Position (accrual basis of accounting)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016
Expenses				
Governmental Activities				
General Government	\$ 2,278,875	\$ 2,626,947	\$ 2,766,293	\$ 3,138,731
Public Safety	8,014,490	8,577,724	8,620,538	9,365,921
Public Works	3,127,223	4,478,011	3,675,342	3,596,147
Health and Welfare	68,610	76,368	157,151	109,777
Culture and Recreation	5,666,008	5,710,860	6,333,389	7,693,870
Conservation and Development	1,511,981	1,812,665	1,046,133	1,352,512
Interest on Long-Term Debt	923,567	1,091,127	1,637,019	1,685,639
Total Governmental Activities	21,590,754	24,373,702	24,235,865	26,942,597
Business-Type Activities				
Sewer	3,589,083	3,654,114	3,682,300	3,801,618
Solid Waste	2,295,305	2,389,520	2,542,404	2,490,138
Airport	1,042,696	1,046,734	1,235,154	1,151,179
Electric	23,842,210	24,422,931	25,547,889	27,092,700
Water	4,707,937	4,829,106	4,351,502	4,737,445
Gas	8,461,181	10,340,336	7,864,515	7,205,132
Total Business-Type Activities Expenses	43,938,412	46,682,741	45,223,764	46,478,212
Total Primary Government Expenses	65,529,166	71,056,443	69,459,629	73,420,809
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	118,522	125,562	128,119	146,528
Public Safety	1,594,057	1,577,811	1,758,183	1,856,099
Public Works	257,342	314,157	189,974	433,935
Health and Welfare	-	-	1,525	1,930
Culture and Recreation	2,176,508	2,199,184	2,347,198	2,300,732
Conservation and Development	210,276	265,133	137,084	165,258
Operating Grants and Contributions	694,993	556,333	732,088	671,135
Capital Grants and Contributions	1,057,552	2,373,711	5,436,484	3,515,470
Total Governmental Activities Program Revenues	6,109,250	7,411,891	10,730,655	9,091,087
Business-Type Activities				
Charges for Services				
Sewer	3,413,812	3,450,537	3,502,229	3,504,218
Solid Waste	2,411,245	2,446,657	2,833,794	2,731,339
Airport	143,536	154,058	154,587	188,967
Electric	26,671,481	27,317,371	27,954,042	29,760,309
Water	5,323,126	5,265,645	5,452,851	5,963,127
Gas	12,499,373	12,062,546	9,942,975	8,983,270
Operating Grants and Contributions	63,628	14,189	201,975	-
Capital Grants and Contributions	1,801,569	1,729,098	3,376,383	2,201,090
Total Business-Type Activities Program Revenues	52,327,770	52,440,101	53,418,836	53,332,320
Total Primary Government Program Revenues	58,437,020	59,851,992	64,149,491	62,423,407
Net (Expenses) Revenues				
Governmental Activities	(15,481,504)	(16,961,811)	(13,505,210)	(17,851,510)
Business-Type Activities	8,389,358	5,757,360	8,195,072	6,854,108
Total Primary Government Net Expense	\$ (7,092,146)	\$ (11,204,451)	\$ (5,310,138)	\$ (10,997,402)

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Statistics (Unaudited)

	2017		2018		2019		2020		2021		2022
\$	2,356,577	\$	2,613,083	\$	3,308,409	\$	3,087,636	\$	3,199,088	\$	2,410,054
	8,380,361		10,403,846		10,369,825		10,590,948		9,695,183		10,410,900
	3,485,238		5,068,385		5,335,085		5,825,177		5,201,069		8,951,937
	110,281		79,903		145,679		205,308		205,704		331,709
	7,624,568		7,419,209		8,591,415		8,044,152		9,194,331		9,442,881
	1,350,323		1,636,273		1,376,610		1,455,131		1,439,827		3,370,056
	1,568,771		1,521,295		1,469,197		1,779,364		1,232,150		2,460,778
	24,876,119		28,741,994		30,596,220		30,987,716		30,167,352		37,378,315
	3,648,938		3,812,308		4,070,394		4,150,889		3,941,358		4,199,653
	2,761,842		2,681,029		2,834,399		2,946,347		2,666,097		3,233,371
	1,158,046		1,308,566		1,538,969		1,501,903		2,116,350		2,062,067
	27,456,170		27,902,630		27,135,117		26,180,250		26,656,782		27,724,681
	4,647,793		4,787,833		4,434,092		4,745,301		4,501,664		4,957,186
	7,806,526		8,936,492		8,471,455		7,016,826		6,954,058		11,908,351
	47,479,315		49,428,858		48,484,426		46,541,516		46,836,309		54,085,309
	72,355,434		78,170,852		79,080,646		77,529,232		77,003,661		91,463,624
	149,222		127,405		138,067		137,903		226,918		186,795
	1,884,313		2,886,937		1,946,933		1,999,036		1,908,992		2,087,242
	43,764		421,795		199,613		284,610		282,221		299,091
	1,720		1,100		2,300		-		-		-
	3,005,717		2,164,808		3,184,984		2,383,412		3,550,830		3,710,276
	209,793		238,725		270,846		263,846		188,746		404,876
	191,410		218,041		451,291		5,618,140		793,916		3,312,041
	2,749,396		2,012,698		2,699,979		3,506,625		4,176,389		1,034,911
	8,235,335		8,071,509		8,894,013		14,193,572		11,128,012		11,035,232
	3,546,261		5,262,918		3,550,926		3,867,202		4,668,162		4,673,915
	2,945,081		3,138,110		3,099,848		3,366,551		3,584,235		3,786,514
	237,293		284,076		226,646		285,580		388,147		924,434
	30,057,059		31,513,261		31,232,113		31,761,072		30,141,427		32,515,228
	6,076,701		6,245,709		5,936,773		6,648,977		7,336,939		7,548,860
	8,472,781		9,804,397		10,205,593		8,973,584		9,297,405		11,650,481
	8,771		8,655		7,110		649,459		758,978		1,005,627
	8,390,956		1,123,489		508,093		4,839,500		8,967,908		18,262,515
	59,734,903		57,380,615		54,767,102		60,391,925		65,143,201		80,367,574
	67,970,238		65,452,124		63,661,115		74,585,497		76,271,213		91,402,806
	(16,640,784)		(20,670,485)		(21,702,207)		(16,794,144)		(19,039,340)		(26,343,083)
	12,255,588		7,951,757		6,282,676		13,850,409		18,306,892		26,282,265
\$	(4,385,196)	\$	(12,718,728)	\$	(15,419,531)	\$	(2,943,735)	\$	(732,448)	\$	(60,818)

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**Table 2 (continued)**  
**Changes in Net Position (accrual basis of accounting)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016
Governmental Activities				
Taxes				
Property Taxes	\$ 3,839,601	\$ 4,023,023	\$ 4,144,883	\$ 4,298,434
Sales and Use Taxes	14,435,880	15,218,434	15,205,209	15,150,394
Other Taxes	374,254	365,741	367,452	359,308
State Shared Revenues	934,849	1,003,738	1,023,327	1,040,492
Investment Earnings	495,797	511,979	591,828	616,542
Miscellaneous	297,966	917,971	351,668	291,392
Sales of Capital Assets	4,984	2,825	174,346	32,338
Special Items/Extraordinary Items/Changes in Accounting Estimate	-	46,603	-	-
Transfers	1,452,400	1,207,235	1,025,325	959,975
Total Governmental Activities	21,835,731	23,297,549	22,884,038	22,748,875
Business-Type Activities				
Taxes				
Other Taxes	6,032	9,576	19,799	10,839
Investment Earnings	132,601	154,702	170,953	193,311
Sales of Capital Assets	58,661	(34,946)	37,769	65,127
Special Items/Extraordinary Items/Changes in Accounting Estimate	-	-	-	-
Transfers	(1,452,400)	(1,207,235)	(1,025,325)	(959,975)
Total Business-Type Activities	(1,255,106)	(1,077,903)	(796,804)	(690,698)
Total Primary Government General Revenues	20,580,625	22,219,646	22,087,234	22,058,177
Change in Net Position				
Governmental Activities	6,354,227	6,335,738	9,378,828	4,897,365
Business-Type Activities	7,134,252	4,679,457	7,398,268	6,163,410
Total Primary Government	\$ 13,488,479	\$ 11,015,195	\$ 16,777,096	\$ 11,060,775

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2017	2018	2019	2020	2021	2022
\$ 4,372,781	\$ 4,518,618	\$ 4,705,100	\$ 5,073,849	\$ 5,290,954	\$ 5,266,687
15,629,115	16,119,594	17,098,037	17,431,110	19,632,529	21,573,383
345,843	330,268	320,936	314,757	292,651	315,491
933,928	222,829	232,355	280,834	281,908	279,182
666,920	1,016,385	1,216,468	617,013	426,652	1,623,998
485,811	994,703	361,482	440,707	517,100	390,139
(266)	7,145	18,221	(8,534)	12,691	179,661
(30,189)	68,650	-	-	(472,746)	(154,163)
819,468	1,394,422	1,469,248	1,503,800	(2,830,856)	1,991,600
23,223,411	24,672,614	25,421,847	25,653,536	23,150,883	31,465,978
5,144	3,368	6,357	2,731	7,178	14,823
284,058	561,610	750,378	330,496	229,269	994,976
(13,860)	174,784	-	-	14,314	39,022
-	409,011	-	(183,158)	(479,322)	-
(819,468)	(1,394,422)	(1,469,248)	(1,503,800)	2,830,856	(1,991,600)
(544,126)	(245,649)	(712,513)	(1,353,731)	2,602,295	(942,779)
22,679,285	24,426,965	24,709,334	24,299,805	25,753,178	30,523,199
6,582,627	4,002,129	3,719,640	8,859,392	4,111,543	5,122,895
11,711,462	7,706,108	5,570,163	12,496,678	20,909,187	25,339,486
\$ 18,294,089	\$ 11,708,237	\$ 9,289,803	\$ 21,356,070	\$ 25,020,730	\$ 30,462,381

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**Table 3**  
**Fund Balances of Governmental Funds (modified accrual basis of accounting)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016
General Fund				
Nonspendable	\$ 143,545	\$ 167,034	\$ 179,622	\$ 131,519
Restricted	20,415	20,461	20,517	20,588
Assigned	1,174,896	1,588,547	1,537,580	1,810,538
Unassigned	6,597,341	7,134,110	8,074,419	7,239,354
Total General Fund	7,936,197	8,910,152	9,812,138	9,201,999
All Other Governmental Funds				
Nonspendable	\$ 5,510,296	\$ 5,366,976	\$ 34,635	\$ 39,392
Restricted	2,872,687	12,983,774	27,173,200	11,551,269
Assigned	15,233,749	14,120,906	18,553,821	18,505,930
Unassigned	(6,428,538)	(6,379,436)	(6,326,763)	(6,250,872)
Total All Other Governmental Funds	\$ 17,188,194	\$ 26,092,220	\$ 39,434,893	\$ 23,845,719

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2017	2018	2019	2020	2021	2022
\$ 117,441	\$ 289,878	\$ 408,631	\$ 441,625	\$ 292,393	\$ 284,042
20,701	20,925	21,344	21,488	21,541	21,821
1,853,390	2,236,060	2,491,661	1,894,211	473,706	2,537,182
7,226,669	6,782,280	6,171,141	10,756,357	12,878,424	10,323,022
9,218,201	9,329,143	9,092,777	13,113,681	13,666,064	13,166,067
\$ 31,231	\$ 294,034	\$ 331,620	\$ 349,564	\$ 52,353	\$ 90,745
9,487,772	12,916,223	14,154,947	10,339,568	14,708,617	47,707,396
19,858,874	18,515,914	20,481,603	25,648,334	25,897,154	23,422,373
(6,193,540)	(6,063,266)	(5,888,462)	(5,490,976)	(5,005,470)	(4,608,853)
\$ 23,184,337	\$ 25,662,905	\$ 29,079,708	\$ 30,846,490	\$ 35,652,654	\$ 66,611,661

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**Table 4**  
**Changes in Fund Balances of Governmental Funds (modified accrual basis of accounting)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017
<b>Revenues</b>					
Taxes	\$ 18,595,966	\$ 19,535,361	\$ 19,720,693	\$ 19,804,161	\$ 20,295,735
Licenses and Permits	259,051	310,437	234,333	262,968	318,695
Intergovernmental	1,761,169	1,495,512	1,621,313	1,969,753	2,120,676
Charges for Goods and Services	3,673,367	3,784,132	4,043,345	4,051,700	4,672,145
Fines and Forfeitures	54,866	46,598	50,544	71,005	56,066
Interest	499,811	500,831	568,899	623,599	657,823
Miscellaneous Revenue	1,169,723	1,012,386	1,284,820	1,826,332	1,474,620
<b>Total Revenues</b>	<b>26,013,953</b>	<b>26,685,257</b>	<b>27,523,947</b>	<b>28,609,518</b>	<b>29,595,760</b>
<b>Expenditures</b>					
General Government	2,308,602	2,735,864	2,820,387	2,998,713	2,464,210
Public Safety	8,597,330	7,756,401	8,029,280	8,213,485	8,615,963
Public Work	4,358,255	5,861,418	5,179,559	6,261,400	5,346,412
Health and Welfare	68,610	76,110	144,736	104,055	116,875
Culture and Recreation	8,100,662	8,534,335	15,039,450	22,871,337	9,278,066
Conservation and Development	1,484,772	1,636,633	888,069	1,320,712	1,226,378
Debt Service					
Principal	1,111,990	1,176,242	1,641,259	2,446,287	2,486,947
Interest	922,912	899,249	1,420,320	1,599,995	1,569,444
Administrative Charges	1,500	1,500	3,516	3,400	3,300
Bond Issuance Costs	-	169,263	402,019	50,948	-
<b>Total Expenditures</b>	<b>26,954,633</b>	<b>28,847,015</b>	<b>35,568,595</b>	<b>45,870,332</b>	<b>31,107,595</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(940,680)</b>	<b>(2,161,758)</b>	<b>(8,044,648)</b>	<b>(17,260,814)</b>	<b>(1,511,835)</b>
<b>Other Financing Sources (Uses)</b>					
Sales of Municipal Property	138,094	785,901	271,779	48,265	77,376
Long-Term Debt Issued	-	10,000,000	24,240,000	3,205,000	-
Premium on Bonds Issued	-	46,603	259,873	-	-
Pmt To Refunded Debt Escrow Agent	-	-	(3,507,670)	(3,151,739)	-
Transfer In	3,815,400	3,996,550	4,772,131	5,028,975	4,233,118
Transfer Out	(2,363,000)	(2,789,315)	(3,746,806)	(4,069,000)	(3,413,650)
<b>Total Other Financing Sources (Uses)</b>	<b>1,590,494</b>	<b>12,039,739</b>	<b>22,289,307</b>	<b>1,061,501</b>	<b>896,844</b>
Special Items/Extraordinary Items/ Change in Accounting Estimate	-	-	-	-	(30,189)
<b>Net Change in Fund Balances</b>	<b>\$ 649,814</b>	<b>\$ 9,877,981</b>	<b>\$ 14,244,659</b>	<b>\$ (16,199,313)</b>	<b>\$ (645,180)</b>
Debt service as a % of noncapital expenditures	10.5%	11.0%	16.9%	15.6%	15.8%



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	2018		2019		2020		2021		2022
\$	20,923,892	\$	22,052,308	\$	22,744,922	\$	24,898,220	\$	27,151,757
	341,040		376,762		327,018		374,143		561,098
	2,148,338		1,905,491		7,900,601		2,396,344		3,735,071
	5,052,441		5,134,622		4,414,534		5,490,254		5,851,289
	58,981		74,929		39,499		45,645		30,590
	916,432		1,356,533		630,382		426,668		1,625,053
	2,593,269		1,298,693		2,375,806		1,236,772		2,971,783
	32,034,393		32,199,338		38,432,762		34,868,046		41,926,641
	2,473,232		3,208,693		2,956,992		4,623,321		3,623,367
	9,571,209		8,793,926		9,552,921		9,710,939		9,987,797
	6,355,562		6,484,294		5,995,892		6,131,015		13,302,039
	74,043		139,203		199,868		208,713		331,104
	7,064,630		6,702,341		7,703,220		9,869,686		15,397,351
	1,443,638		1,169,595		1,295,007		1,283,855		3,229,170
	2,394,832		2,520,809		4,406,952		2,583,266		3,444,556
	1,572,520		1,470,399		1,989,745		1,321,431		1,946,303
	3,300		3,500		3,500		3,000		8,320
	-		-		251,127		106,665		495,799
	30,952,966		30,492,760		34,355,224		35,841,891		51,765,806
	1,081,427		1,706,578		4,077,538		(973,845)		(9,839,165)
	45,011		4,611		8,585		27,039		217,382
	-		-		21,760,000		9,370,000		35,930,000
	-		-		1,515,332		238,955		2,313,356
	-		-		(23,077,569)		-		-
	6,274,422		4,780,748		6,589,800		4,644,144		10,363,208
	(4,880,000)		(3,311,500)		(5,086,000)		(7,475,000)		(8,371,608)
	1,439,433		1,473,859		1,710,148		6,805,138		40,452,338
	68,650		-		-		(472,746)		(154,163)
\$	2,589,510	\$	3,180,437	\$	5,787,686	\$	5,358,547	\$	30,459,010
	16.1%		15.3%		21.0%		13.1%		14.9%

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**Table 5**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

Fiscal Year	Residential Property	Commercial Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a % of Actual Value
2013	982,112,861	404,026,919	1,386,139,780	2.73	1,630,752,682	85%
2014	1,033,567,191	424,412,750	1,457,979,941	2.68	1,715,270,519	85%
2015	1,076,688,951	443,668,487	1,520,357,438	2.68	1,788,655,809	85%
2016	1,148,339,553	464,167,108	1,612,506,661	2.58	1,897,066,660	85%
2017	1,202,278,065	506,302,536	1,708,580,601	2.51	2,010,094,824	85%
2018	1,242,183,322	520,910,919	1,763,094,241	2.53	2,074,228,519	85%
2019	1,300,091,167	572,915,119	1,873,006,286	2.47	2,203,536,807	85%
2020	1,368,586,607	594,644,568	1,963,231,175	2.43	2,309,683,735	85%
2021	1,435,253,493	637,771,729	2,073,025,222	2.04	2,438,853,202	85%
2022	1,614,025,498	719,159,286	2,333,184,784	1.86	2,744,923,275	85%

Source: Codington County Board of Equalization.

**Table 6**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

Fiscal Year	City of Waterown			Overlapping Rates								Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	County			Watertown School District					
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts		
2013	2.37	0.36	2.73	3.58	0.00	3.58	14.08	0.00	14.08	0.97	21.36	
2014	2.33	0.35	2.68	3.44	0.00	3.44	13.92	0.00	13.92	0.93	20.97	
2015	2.33	0.35	2.68	3.31	0.00	3.31	13.47	0.00	13.47	0.90	20.36	
2016	2.24	0.34	2.58	3.20	0.00	3.20	12.09	0.00	12.09	0.84	18.71	
2017	2.19	0.32	2.51	3.15	0.00	3.15	11.13	0.00	11.13	0.84	17.63	
2018	2.21	0.32	2.53	3.17	0.00	3.17	11.49	0.00	11.49	0.49	17.68	
2019	2.15	0.31	2.47	3.11	0.00	3.11	11.29	0.00	11.29	0.80	17.67	
2020	2.12	0.31	2.43	3.10	0.00	3.10	11.25	0.00	11.25	0.77	17.54	
2021	2.04	0.00	2.04	3.07	0.00	3.07	11.06	0.00	11.06	0.74	16.91	
2022	1.86	0.00	1.86	2.84	0.00	2.84	10.55	0.00	10.55	0.70	15.95	

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**Table 7**  
**Principal Taxpayers**  
**Current Year and Ten Years Ago**

Taxpayer	2022			2013		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Terex South Dakota Inc	\$ 23,422,653	1	1.00%	\$ -	-	-
Glacial Lakes Energy	22,173,973	2	0.95%	9,576,350	2	0.73%
Watertown Co-op Elevator	15,222,245	3	0.65%	7,301,279	4	0.56%
Wal-Mart Real Estate Business Trust	11,179,517	4	0.48%	10,203,702	1	0.78%
Watertown Development Co.	9,621,637	5	0.41%	-	-	-
PJNI LLC	9,581,319	6	0.41%	-	-	-
Radix Equity LLC & 38th ST Investment Co.	9,156,618	7	0.39%	-	-	-
Watertown Lodging Associates LLC	8,573,320	8	0.37%	-	-	-
Menards	8,423,484	9	0.36%	7,987,728	3	0.61%
Leslie H McElhany	7,894,032	10	0.34%	-	-	-
Brown Investment Group	-	-	-	4,311,254	8	0.33%
Les McElhany & David McElhany	-	-	-	4,387,420	7	0.33%
Worthington Industries	-	-	-	5,408,091	6	0.41%
Stone Oil Company	-	-	-	4,211,248	10	0.32%
Michael B. Lantsberger	-	-	-	4,238,019	9	0.32%
Watertown Plaza LLC	-	-	-	5,967,420	5	0.45%
Totals	125,248,798		5.37%	63,592,511		4.59%

Entire City Assessed Valuation for 2022: \$ 2,333,184,784

Data Source: Office of the Director of Equalization

Note: The Codington County Director of Equalization(DOE) is the tax assessor for the property within the City of Watertown.

**Table 8**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended Dec. 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
	Amount	Percentage of Levy	Percentage of Levy		Amount	Percentage of Levy
2013	4,013,830	3,993,802	99.50	14,466	4,008,268	99.86
2014	4,138,450	4,110,910	99.33	27,644	4,138,554	100.00
2015	4,290,185	4,234,944	98.71	55,229	4,290,173	100.00
2016	4,360,043	4,350,019	99.77	10,123	4,360,142	100.00
2017	4,510,995	4,490,289	99.54	20,306	4,510,595	99.99
2018	4,700,455	4,682,960	99.63	12,903	4,695,863	99.90
2019	5,067,710	4,990,225	98.47	14,874	5,005,099	98.76
2020	5,288,253	5,273,066	99.71	4,910	5,277,976	99.81
2021	5,264,064	5,261,288	99.95	-	5,261,288	99.95
2022	5,746,224	(see note below)				

Note: (1) The year shown on this table indicates the year of the levy for collection in the next year, the 2022 tax levy will be collected in the year 2023, so such information is not available at the time of preparing this table.

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**Table 9**  
**Historical Sales and Use Tax Receipts**  
**Last Ten Fiscal Years**

Year	General Sales Tax	Capital Improvement Sales Tax	Pledged Revenues (1)
2013	6,842,601	6,835,289	6,835,289
2014	7,214,979	7,203,788	7,203,788
2015	7,215,762	7,208,929	7,208,929
2016	7,171,463	7,168,539	7,168,539
2017	7,347,223	7,347,277	7,347,277
2018	7,578,691	7,578,690	7,578,690
2019	8,037,632	8,037,632	8,037,632
2020	8,227,088	8,227,088	8,227,088
2021	9,115,593	9,115,593	9,115,593
2022	10,211,856	10,211,856	10,211,856

(1) Pledged revenues for 2015, 2020, 2021 and 2022 Sales Tax Bonds are that portion of the proceeds of the Sales Tax in excess of the proceeds produced by the first one percent (1%) of the Sales Tax. All of the Capital Improvement Sales Tax revenues are pledged for the repayment of SRF Loans No. 6, 8, 10 and 11.

**Table 10**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business Type Activities				Total Primary Government	% of Personal Income	Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Sales Tax Revenue Bonds	SRF Loans #6, #8, #10, & #11	Tax Increment Bonds	Unamortized Premium on Bonds	SRF Loan Payables	Unamortized Premium on Bonds				
2013	3,800,000	377,712	6,905,000	4,113,894	-	-	33,522,038	-	48,718,644	9.40%	518,446,588	2,268
2014	3,470,000	223,958	16,410,000	3,916,405	-	-	30,305,442	-	54,325,805	10.48%	518,446,588	2,529
2015	3,120,000	152,537	36,125,000	3,713,558	-	-	27,966,083	-	71,077,178	13.71%	518,446,588	3,309
2016	2,765,000	77,932	34,405,000	3,505,202	-	-	25,547,559	-	66,300,693	12.79%	518,446,588	3,086
2017	2,320,000	-	32,655,000	3,291,187	-	-	23,769,259	-	62,035,446	11.97%	518,446,588	2,888
2018	1,870,000	-	30,880,000	3,071,355	-	-	21,933,773	-	57,755,128	11.14%	518,446,588	2,689
2019	1,395,000	-	29,060,000	2,845,546	-	-	20,140,030	-	53,440,576	10.31%	518,446,588	2,488
2020	900,000	-	23,550,000	2,613,592	-	-	20,559,005	-	47,622,597	9.19%	518,446,588	2,217
2021	380,000	-	29,095,000	2,375,328	2,000,000	1,613,781	21,492,695	272,276	57,229,080	11.04%	518,446,588	2,526
2022	-	-	62,275,000	2,130,573	1,930,199	3,752,282	21,619,871	235,115	91,943,040	17.73%	518,446,588	4,058

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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Statistics (Unaudited)

**Table 11**  
**Ratio of Net General Obligation Bonded Debt**  
**Last Ten Fiscal Years**

Fiscal Year	Population(1)	Value (2)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Assessed Value of Property	Percentage of Personal Income	Per Capita
2013	21,482	1,386,139,780	3,800,000	277,791	3,522,209	0.25%	0.68%	164
2014	21,482	1,457,979,941	3,470,000	301,153	3,168,847	0.22%	0.61%	148
2015	21,482	1,520,357,438	3,120,000	325,683	2,794,317	0.18%	0.54%	130
2016	21,482	1,612,506,661	2,765,000	358,130	2,406,870	0.15%	0.46%	112
2017	21,482	1,708,580,601	2,320,000	386,629	1,933,371	0.11%	0.37%	90
2018	21,482	1,763,094,241	1,870,000	419,247	1,450,753	0.08%	0.28%	68
2019	21,482	1,873,006,286	1,395,000	462,569	932,431	0.05%	0.18%	43
2020	21,482	1,963,231,175	900,000	494,082	405,918	0.02%	0.08%	19
2021	22,655	2,073,025,222	380,000	523,205	(143,205)	-0.01%	-0.03%	(6)
2022	22,655	2,333,184,784	-	150,945	(150,945)	-0.01%	-0.03%	(7)

**Table 12**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2022**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
School District	\$ 24,905,000	80.0%	\$ 19,924,000
Subtotal, overlapping debt			19,924,000
City of Watertown direct debt			70,088,054
Total direct and overlapping debt			<u>\$ 90,012,054</u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Auditors Office. Debt outstanding data provided by the Watertown School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Watertown. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Watertown. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying debt, of each overlapping government.

Note: The percentage of overlapping debt applicable is estimated by using taxable assessed property values. Applicable percentages were estimated by determining the portion of the schools taxable assessed value that is within the City's boundaries and dividing it by the School's total taxable assessed value.

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Statistics (Unaudited)

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**Table 13**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018
Debt Limit (5% limit)	\$ 69,306,989	\$ 72,898,997	\$ 76,017,872	\$ 80,625,333	\$ 85,429,030	\$ 88,154,712
Total net debt applicable to limit	14,818,894	23,796,405	42,688,558	40,675,202	38,266,187	35,821,355
Legal debt margin	54,488,095	49,102,592	33,329,314	39,950,131	47,162,843	52,333,357
Total net debt applicable to the limit as a percentage of debt limit	21.38%	32.64%	56.16%	50.45%	44.79%	40.63%

Note: The State of South Dakota Constitution sets two legal debt limits on municipalities. The City has an unrestricted (i.e. for any legally authorized purpose) legal debt limit equal to 5% of the total assessed value of taxable property. In addition the Constitution permits the City to issue debt for water or sewer improvements in an amount equal to 10% of the total value of taxable property. Water or sewer debt that applies against the 10% limit does not apply against the 5% limit.

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	2019	2020	2021	2022
Debt Limit (5% limit)	\$ 93,650,314	\$ 98,161,559	\$ 103,651,261	\$ 116,659,239
Total net debt applicable to limit	33,300,546	27,063,594	33,850,328	66,335,772
Legal debt margin	60,349,768	71,097,965	69,800,933	50,323,467
Total net debt applicable to the limit as a percentage of debt limit	35.56%	27.57%	32.66%	56.86%

Legal Debt Margin Calculation for Fiscal Year 2022

	"No-Limit" Debt	Debt Capacity at 5% (Unrestricted)	Additional 10% Debt Capacity (Water/Sewer)
2022 Assessed Value	\$2,333,184,784		
Maximum Debt Capacity:	\$ -	\$ 116,659,239	\$ 233,318,478
Existing Bonds:			
GO Refinancing Bonds (Event Center)	-	-	-
SRF Loan No. 5 (Wastewater Revenue Surcharge)	326,323	-	-
SRF Loan No. 6-CW (Sales Tax)	-	436,389	-
SRF Loan No. 6-NPS (Sales Tax)	-	38,157	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	292,886	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	29,386	-	-
SRF Loan No. 8-CW (Sales Tax)	-	190,000	-
SRF Loan No. 8-NPS (Sales Tax)	-	21,260	-
SRF Loan No. 10-CW (Sales Tax)	-	1,339,130	-
SRF Loan No. 11-CW (Sales Tax)	-	105,637	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	4,258,870	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	1,763,526	-	-
Wastewater Revenue Bonds - 2020 Refunding	5,465,000	-	-
Water Revenue Bonds - 2020 Refunding	8,000,000	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue)	55,880	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste Revenue)	1,428,000	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	1,215,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	18,825,000	-
2021 Sales Tax Revenue Bonds	-	6,945,000	-
2022 Sales Tax Revenue Bonds	-	18,055,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	7,185,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	10,050,000	-
2021 Tax Increment Bond	-	1,930,199	-
Total Bonded Debt	21,619,871	66,335,772	-
Total Debt	21,619,871	66,335,772	-
Available Debt Capacity	N/A	\$ 50,323,467	\$ 233,318,478

City of Watertown  
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Year Ended December 31, 2022

Statistics (Unaudited)

**Table 14**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Year**

Fiscal Year	State Revolving Fund Loans						Sales Tax Revenue Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Net Available Revenue	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2013	8,326,760	4,322,245	4,004,515	1,657,670	1,091,552	1.46	6,835,289	520,000	225,745	9.17
2014	8,291,596	4,576,654	3,714,942	3,230,329	1,013,610	0.88	7,203,788	495,000	215,490	10.14
2015	8,486,690	4,267,645	4,219,045	2,338,776	915,634	1.30	7,208,929	1,160,000	471,685	4.42
2016	9,023,985	4,862,541	4,161,444	2,418,524	855,600	1.27	7,168,539	1,720,000	1,029,634	2.61
2017	9,273,485	4,612,051	4,661,434	1,778,300	785,450	1.82	7,347,277	1,750,000	1,001,403	2.67
2018	9,350,336	4,922,268	4,428,068	1,835,486	728,264	1.73	7,578,690	2,225,000	970,665	2.37
2019	9,040,972	4,920,268	4,120,704	1,901,744	669,231	1.60	8,037,632	2,295,000	933,705	2.49
2020	10,035,273	5,373,114	4,662,159	564,170	184,047	6.23	8,227,088	770,000	499,272	6.48
2021	12,005,101	8,005,429	3,999,672	2,123,734	162,885	1.75	9,115,593	1,825,000	802,373	3.47
2022	12,222,775	8,717,156	3,505,619	2,237,506	267,826	1.40	10,211,856	2,750,000	1,462,398	2.42

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating Expenses do not include interest, depreciation, amortization, and other post employment benefit expenses.

The Sales Tax Revenue Bonds are backed by 50% of the sales tax collected in the Capital Improvement Fund.  
The SRF Loans are backed by 100% of all sales tax collected in the Capital Improvement Fund.



City of Watertown  
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Statistics (Unaudited)

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**Table 15**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population (1)	Per Capita Income (1)	Median Age (1)	Education in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2013	21,482	24,134	36.6	13.0	3,795	3.5%
2014	21,482	24,134	36.6	13.0	3,918	3.5%
2015	21,482	24,134	36.6	13.0	3,912	3.4%
2016	21,482	24,134	36.6	13.0	3,954	2.8%
2017	21,482	24,134	36.6	13.0	3,931	3.4%
2018	21,482	24,134	36.6	13.0	3,908	3.2%
2019	21,482	24,134	36.6	13.0	3,775	3.1%
2020	21,482	24,134	36.6	13.0	3,867	5.2%
2021	22,655	29,346	37.6	13.0	3,850	2.8%
2022	22,655	29,346	37.6	13.0	3,728	1.8%

DATA SOURCE:

- (1) U.S. Dept of Commerce, Bureau of Census  
Education: U.S. Department of Commerce, Bureau of Census
- (2) Annual School Census by the Board of Education. (Kindergarten through Grade 12-Public Schools  
only- does not include Private or Vocational School)
- (3) South Dakota Labor Bulletin.

City of Watertown  
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Statistics (Unaudited)

**Table 16**  
**Principal Employers**  
**Current Year and Ten Years Ago**

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employed	Employees	Rank	Percentage of Total City Employed
Watertown School District	776	1	3.61%	887	1	4.13%
Prairie Lakes Healthcare System	683	2	3.18%	533	2	2.48%
Terex Utilities	634	3	2.95%	525	3	2.44%
HyVee	450	4	2.09%	340	7	1.58%
Premier Bankcard	367	5	1.71%	354	5	1.65%
City of Watertown	336	6	1.56%	343	6	1.60%
Worthington Industries	309	7	1.44%	-		-
Dakota Bodies	285	8	1.33%	-		-
Jenkins Living Center	274	9	1.28%	258	10	1.20%
Sparton	253	10	1.18%	290	9	1.35%
Walmart Supercenter	-		-	280	8	1.30%
Angus Palm	-		-	475	4	2.21%
Total	<u>4,367</u>		<u>20.33%</u>	<u>4,285</u>		<u>19.95%</u>

Source: Watertown Development Company

City of Watertown  
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Statistics (Unaudited)

**Table 17**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Full-Time Equivalent Employees as of December 31									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Government</b>										
Mayor/City Council	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	7.00	7.00
City Manager	-	-	-	-	-	-	-	-	1.50	1.50
Attorney	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Human Resources	-	-	-	-	-	-	1.00	2.00	3.00	3.00
Finance	7.10	7.10	7.04	7.00	7.11	7.00	6.11	5.59	5.00	5.00
Information Technology	1.00	1.00	3.00	3.00	3.00	3.12	3.36	3.36	3.60	3.60
City Hall	-	-	-	-	-	0.50	0.60	0.40	0.40	0.40
Engineering	7.36	7.47	7.00	7.00	7.58	7.58	7.58	7.58	7.58	7.58
<b>Public Safety</b>										
Police	42.57	42.35	42.12	42.05	42.40	42.40	42.70	45.36	45.70	45.70
E-911	12.80	12.80	12.35	12.81	13.30	13.30	13.60	12.34	15.60	15.60
Fire/Ambulance	37.00	37.43	37.03	38.00	39.20	39.00	39.49	40.15	39.49	39.49
<b>Public Works</b>										
Streets	14.02	12.95	13.62	14.51	16.18	16.55	17.02	17.55	17.02	17.02
Cemetery	3.15	3.11	3.10	2.63	3.08	3.12	3.20	3.80	3.20	3.20
Building Services	4.46	4.47	4.47	4.47	4.48	5.00	5.00	6.00	6.00	6.00
<b>Health and Welfare</b>										
Mosquito Control	-	-	-	-	-	-	0.48	0.48	0.48	0.48
Animal Control	-	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00
<b>Culture and Recreation</b>										
Park and Recreation	51.15	54.00	55.04	52.40	59.19	61.80	61.09	61.78	63.79	63.79
Prairie Lakes Wellness Center	14.81	15.02	15.06	14.11	22.82	28.33	27.35	26.10	23.95	24.95
Forestry	2.46	3.03	3.43	3.22	3.48	3.48	3.48	4.37	5.48	5.48
Library	11.44	11.14	11.54	11.01	11.97	11.97	12.29	12.80	12.29	12.29
<b>Conservation &amp; Development</b>										
Sioux River Watershed Project	1.64	1.63	1.77	1.66	1.65	1.65	1.65	1.00	1.00	1.00
Urban Renewal	0.06	0.11	0.01	-	-	-	-	-	-	-
<b>Wastewater</b>	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
<b>Refuse Collection</b>	16.74	16.64	16.69	16.58	16.76	16.76	16.76	16.76	16.76	16.76
<b>Airport</b>	3.02	4.07	4.49	4.05	4.63	4.63	7.63	6.63	8.00	8.00
<b>Electric</b>	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
<b>Gas</b>	14.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
<b>Water</b>	18.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00

Source: City Departments

City of Watertown  
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Year Ended December 31, 2022

Statistics (Unaudited)

**Table 18**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police</b>										
Physical Arrests	2,461	2,020	2,420	2,289	2,374	3,004	3,520	2,401	2,212	1,671
Accidents	794	763	738	737	694	771	886	639	651	674
Traffic Violations	1,359	1,366	1,344	1,647	1,697	1,372	1,536	1,639	1,707	1,178
<b>Fire</b>										
Emergency Responses	2,211	2,114	2,298	2,392	2,514	2,674	2,752	2,873	2,956	3,024
Fire Calls	460	375	445	456	466	577	730	770	778	880
Inspections	314	411	493	543	329	269	241	285	300	463
<b>Solid Waste</b>										
Refuse Deposited (tons per day)	141	149	159	142	164	182	181	207	181	192
Recyclables collected (tons per day)	3	3	3	3	3	3	3	3	3	3
<b>Other Public Works</b>										
Crack Sealed Streets (blocks)	-	41	98	130	272	143	184	111	111	96
Seal Coat Streets (blocks)	134	149	139	160	63	65	112	83	83	49
Street Resurfacing (blocks)	35	48	49	50	50	109	32	56	3	9
<b>Parks and Recreation</b>										
Prairie Lakes Wellnes Center Members	4,842	4,820	5,192	4,897	7,514	8,110	8,119	8,307	8,455	10,457
Participants in Youth Programs	5,266	5,147	5,974	5,913	5,408	5,706	5,814	2,673	5,916	6,123
<b>Library</b>										
Items in Collection	135,690	140,130	144,826	148,505	155,468	163,040	175,210	177,766	178,274	176,854
Total Items Loaned	221,072	218,621	235,897	252,448	250,614	237,579	251,675	192,374	236,927	219,484
<b>Wastewater</b>										
Avg sewage treatment (mill gal per day)	2.90	3.00	2.46	2.44	3.06	2.83	4.47	3.46	3.00	3.22
<b>Airport</b>										
Boardings per year	4,447	1,968	2,820	2,770	10,600	12,084	11,681	7,225	18,265	14,526

Source: City Departments

City of Watertown  
Annual Comprehensive Financial Report  
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Statistics (Unaudited)

**Table 19**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	14	14	14	14	14	14	14	14	14	14
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection Trucks	7	7	7	8	8	8	8	8	8	8
Other public works										
Streets (miles)	170	170	174	175	220	220	202	204	205	205
Streetlights	2,640	2,646	2,676	2,691	2,707	2,795	2,830	2,854	2,854	2,842
Traffic signals	31	31	31	35	32	32	30	24	24	24
Parks and Recreation										
Acreage	631	631	712	712	712	717	717	725	725	775
Derby Downs clubhouse & arena (acres)	80	80	80	80	80	80	80	80	80	65
Playgrounds	21	21	21	21	21	21	22	23	23	23
Baseball/softball fields	18	18	18	23	23	23	23	23	23	23
Soccer/football fields	16	16	16	16	16	16	16	16	16	16
Wellness Center	1	1	1	1	1	1	1	1	1	1
Airport										
Runways	2	2	2	2	2	2	2	2	2	2

Source: City Departments



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Watertown, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watertown, South Dakota (City), as of December 31, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 8, 2023. Our report includes a reference to other auditors who audited the financial statements of The Housing and Redevelopment Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not been identified.

**Report on Compliance and Other Matters**

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*William Neale & Co., P.C.*

Watertown, South Dakota  
August 8, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Watertown, South Dakota

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the City of Watertown, South Dakota's (City), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

The City's basic financial statements include the operations of The Housing and Redevelopment Commission, which received \$1,098,230 in federal awards which is not included in the schedule during the year ended December 31, 2022. Our audit, described below, did not include the operations of The Housing and Redevelopment Commission because The Housing and Redevelopment Commission engaged other auditors to perform an audit required by the Uniform Guidance.

In our opinion, the City of Watertown, South Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

*William Neale & Co., P.C.*

Watertown, South Dakota  
August 8, 2023

**CITY OF WATERTOWN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2022**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2022</u>
Department of Justice:			
Direct Federal Funding:			
Office of Justice Programs, Bulletproof Vest Partnership Program	16.607	--	\$ 709
Office of Community Oriented Policing Services, Public Safety Partnership & Community Policing Grants	16.710	2020UMWX0182	<u>161,111</u>
Total Department of Justice			<u>161,820</u>
Department of Transportation:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Highway Safety, Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2022-00-54	6,224
SD Office of Emergency Management, Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	--	<u>18,301</u>
			<u>24,525</u>
Direct Federal Funding:			
Airport Improvement Program - Major Program	20.106	3-46-0058-37-2021	3,179,564
	20.106	3-46-0058-38-2021	7,567,792
	20.106	3-46-0058-39-2021	645,170
	20.106	3-46-0058-40-2022	<u>154,517</u>
			<u>11,547,043</u>
Total Department of Transportation			<u>11,571,568</u>
Department of the Treasury:			
Indirect Federal Funding:			
SD Board of Water & Natural Resources, Coronavirus State & Local Fiscal Recovery Funds – Major Program	21.027	2022G-ARP-325	750,000
	21.027	2022G-ARP-450	<u>212,000</u>
			<u>962,000</u>
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property - Note 3	39.003	--	<u>20</u>
The Institute of Museum & Library Services:			
Indirect Federal Funding:			
SD Department of Education, Division of Library Services, Grants to States	45.310	2021G-839	<u>60,000</u>

**CITY OF WATERTOWN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2022**  
**(Continued)**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2022</u>
Homeland Security:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Homeland Security, Homeland Security Grant Program	97.067	--	<u>22,425</u>
Direct Federal Funding:			
Federal Emergency Management Agency, Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036 97.036	SD-4656-PW-00092(0) SD-4656-PW-00036(0)	175,453 <u>7,500</u> <u>182,953</u>
Transportation Security Administration, Law Enforcement Officer Reimbursement Agreement Program	97.090	70T02021T6114N037	<u>11,310</u> <u>194,263</u> <u>216,688</u>
Total Homeland Security			<u>216,688</u>
GRAND TOTAL - Note 4			<u>\$12,972,096</u>

Note 1: The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Watertown, South Dakota under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Watertown, South Dakota, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Watertown, South Dakota.

Note 2: Expenditures reported on the Schedule are reported on the modified accrual/accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Watertown, South Dakota has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City of Watertown, South Dakota.

Note 4: The amount only includes the federal expenditures of the City of Watertown, the primary government, and does not include the federal expenditures of the Watertown Housing and Redevelopment Commission, a component unit of the City of Watertown.

**CITY OF WATERTOWN  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2022**

**PRIOR FEDERAL AUDIT FINDINGS**

The prior audit report disclosed no written audit findings.

**PRIOR OTHER AUDIT FINDINGS**

*Compliance and Other Matters:*

**Finding 2021-01**

Since the City's annual appropriation ordinance & supplemental appropriation ordinance adopted during the year didn't include budgets for the Capital Projects Funds, the City didn't refrain from spending in excess of the amount appropriated for any purpose or any department for each year except as otherwise specially provided for in statute as required by SDCL 9-21-9. The finding has been corrected.



**CITY OF WATERTOWN**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2022**

**A. SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:**

**Financial Statements**

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

**Federal Awards**

- d. No material weaknesses or significant deficiencies were disclosed by our audit of the major federal award programs.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
- g. The federal awards tested as major programs were the Airport Improvement Program (20.106) and Coronavirus State and Local Fiscal Recovery Funds (21.027).
- h. The threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The City of Watertown did qualify as a low-risk entity.

**B. CURRENT OTHER AUDIT FINDINGS**

There are no written current other audit findings to report.

**C. CURRENT FEDERAL AUDIT FINDINGS**

There are no written current federal audit findings to report.