

2023

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



January 1, 2023 – December 31, 2023



**Prepared by THE CITY FINANCE DEPARTMENT
Kristen Bobzien, Chief Financial Officer**



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July 24, 2024

Honorable Ried Holien, Mayor
Members of the City Council
Citizens of Watertown
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, 2023.

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, 2023, 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, 2023, 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 30th 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 31st 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. The City did experience strong growth in 2023 even with inflation setting in. The General Fund sales tax revenues showing an

increase of 17.1% over the original budgeted revenues and an increase of 3.3% over the actual sales tax revenue from 2022. The fund balance increased in 2023, which was not anticipated during the 2023 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 increased from 16,085 to 16,361 from 2022 to 2023 and the total employment increased from 15,761 to 16,059 individuals for those dates, respectively. Unemployment for Codrington County was at 1.9%, 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 15,073 which is steady over the past few years. The City was awarded a Federal Aviation Administration grant to help fund the purchase of two MB5 heavy duty snow removal vehicles and to construct an Ag Spray Area and a new Taxiway Bravo.

The City budgeted for anticipated growth in the Sales Tax revenue in 2023 compared to projected revenues in 2022. 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 2023 are listed below:

Wastewater Projects (\$61M) – 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 increased from \$36 million to approximately \$61 million in 2023 due to the cost of product and labor. Funding for the \$61 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 and an additional SRF loan of \$25,000,000 at 3.25% 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.

Ice Arena – The City of Watertown started construction of a new 417,000 square foot Ice Arena in October of 2022. The project was substantially completed in February 2024. The new two sheet ice facility has spectator space that holds 1,600 for the main rink and 460 for the second rink. This new arena will replace the existing facility. The new ice arena features a concession area, pro shop/skate rental, curling storage, office space, and meeting rooms available for receptions, meetings, birthday parties, and other events. The total cost of this project was \$36.5 million.

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 2022. The review resulted in rate increases in both the Sewer and Solid Waste fees. Part of the increase for Sewer fees relates to the large sewer improvement project that has been approved. 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 completed 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, 2022. This was the forty-first year that the City of Watertown has achieved this prestigious award.

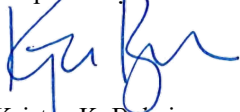
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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.

Respectively submitted,



Kristen K. Bobzien
Chief Financial 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, 2022

Christopher P. Morill

Executive Director/CEO

Municipal Officials

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

Municipal Officials

City Elected Officials

Expires

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

Amanda Mack

ASST. CITY MANAGER/PUBLIC WORKS DIRECTOR

Heath VonEye

CHIEF FINANCIAL OFFICER

Kristen Bobzien

POLICE CHIEF

Tim Toomey

HUMAN RESOURCES DIRECTOR

Darci Nichols

FIRE CHIEF

Don Rowland

PARK, RECREATION & FORESTRY DIRECTOR

Dusty Rodiek

INFORMATION TECHNOLOGY DIRECTOR

Peter Boyle

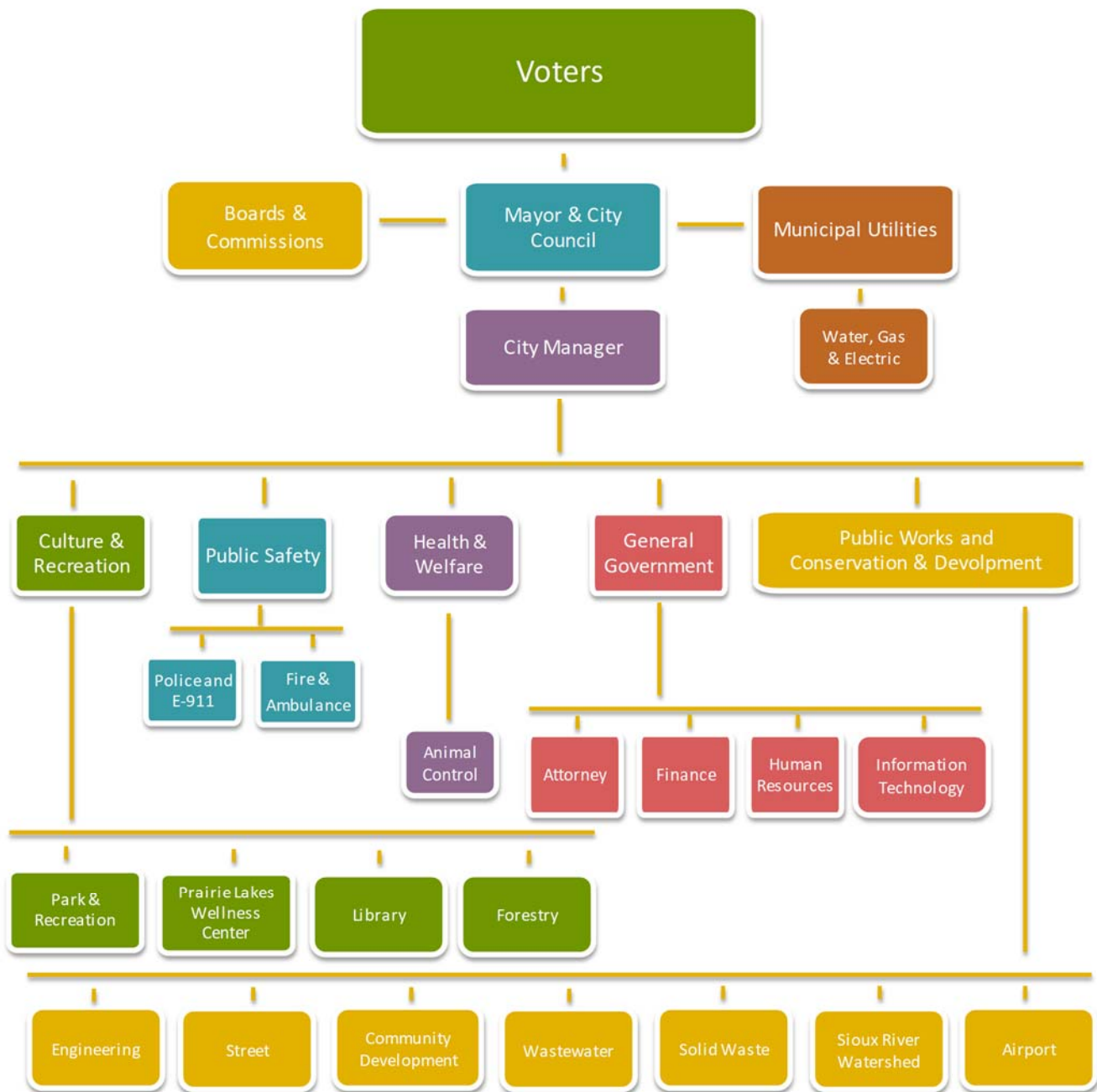
SUPERINTENDENT OF UTILITIES

Steve Lehner

LIBRARY DIRECTOR

Maria Gruener

Organizational Chart





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, 2023, 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, 2023, 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 July 24, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

William Neale & Co., P.C.

Watertown, South Dakota
July 24, 2024

Management's Discussion and Analysis

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, 2023. 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 2023, total assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$444 million. This amount is referred to as the City's "net position." Of this net position amount, \$80 million may be used to meet the City's ongoing obligations to citizens and creditors. The \$444 million net position amount is comprised of three major components:

•	Net investment in capital assets	\$ 329 million
•	Amounts restricted as to their use	\$ 35 million
•	Unrestricted net position	\$ 80 million

The City's total net position increased during 2023 by approximately \$25.6 million. Of this increase, \$9.7 million occurred within the City's governmental activities and the remaining \$15.9 million increase occurred within the City's business-type activities, or Enterprise Funds. The revenues of the Capital Improvement Fund (\$14.5 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 \$15.9 million in net position reflects the business-type activities revenues that continue to exceed expenses.

As of the close of 2023, the City's Governmental Funds reported combined ending fund balances of \$56.8 million. Of this total amount, \$33.4 million is available for spending at the City's discretion, although only about \$12.7 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, 2023, is \$96.3 million including \$7.2 million that will become due and payable during 2024.

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

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 Commission 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 26 individual governmental funds for 2023. 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 and Capital Projects Fund (506) which are considered to be major funds. Data from the other 23 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 and Capital Improvement Fund to demonstrate compliance with this budget. In addition, a budgetary comparison statement has been provided for the major Capital Projects Fund (506) and 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 and each major special revenue fund, 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 following the required supplementary information.

Government-wide Financial Analysis

Net Position. As presented on the following table, the City’s assets exceeded liabilities by \$444,025,700 at the close of the fiscal year ending December 31, 2023.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and Other Assets	\$ 88,939,224	\$ 70,026,471	\$ 57,788,259	\$ 66,651,446	\$ 146,727,483	\$ 136,677,917
Capital Assets	160,243,372	188,436,360	223,840,177	230,248,658	384,083,549	418,685,018
Total Assets	249,182,596	258,462,831	281,628,436	296,900,104	530,811,032	555,362,935
Deferred Outflows of Resources	5,334,916	4,755,202	3,621,862	3,054,469	8,956,778	7,809,671
Long-term Debt Outstanding	69,897,315	66,188,321	23,468,455	22,859,865	93,365,770	89,048,186
Other Liabilities	9,967,486	12,780,721	13,122,720	12,561,257	23,090,206	25,341,978
Total Liabilities	79,864,801	78,969,042	36,591,175	35,421,122	116,455,976	114,390,164
Deferred Inflows of Resources	3,089,526	3,034,164	1,773,554	1,722,578	4,863,080	4,756,742
Net Position:						
Net Investment in Capital Assets	124,189,936	121,698,341	201,244,854	207,544,963	325,434,790	329,243,304
Restricted	17,414,936	26,513,513	6,632,402	8,149,203	24,047,338	34,662,716
Unrestricted	29,958,313	33,002,973	39,008,313	47,116,707	68,966,626	80,119,680
Total Net Position	\$ 171,563,185	\$ 181,214,827	\$ 246,885,569	\$ 262,810,873	\$ 418,448,754	\$ 444,025,700

By far the largest portion (74.2%) of the City’s net position is represented by \$329.2 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
Annual Comprehensive Financial Report
Year Ended December 31, 2023

Management's Discussion and Analysis

The restricted net position of \$34.7 million comprises 7.8% of the total net position. These assets are subject to external restrictions on how they may be used. The remaining balance of \$80.1 million, or 18.0%, 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 \$117.2 million including approximately \$71.9 million from charges for services. This means that 62 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 \$27.9 million of total revenues, or about 24 cents of every revenue dollar.

The City's net position increased by \$25.6 million or 6.2% 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.

Changes in Net Position

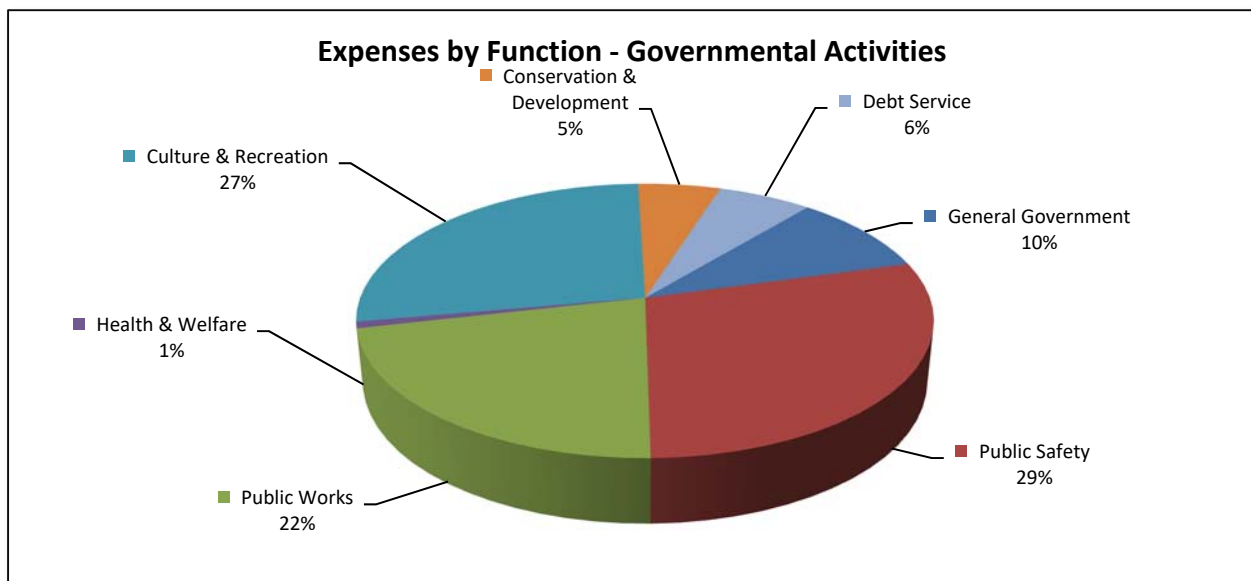
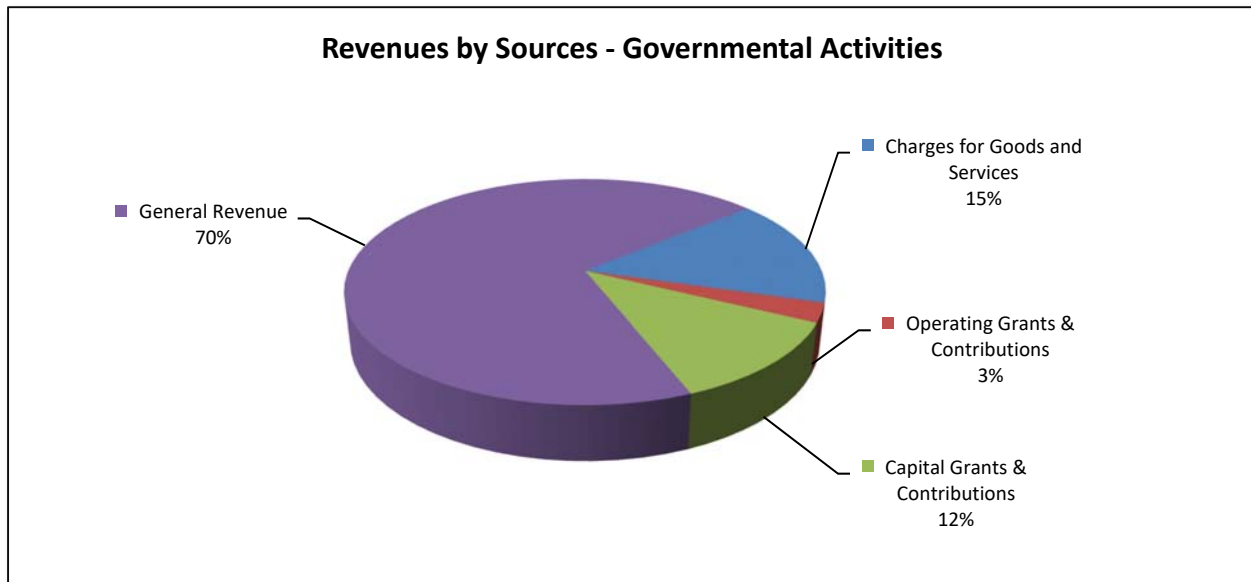
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,688,280	\$ 7,311,837	\$ 61,099,432	\$ 64,558,153	\$ 67,787,712	\$ 71,869,990
Operating Grants and Contributions	3,312,041	1,298,541	1,005,627	1,031,373	4,317,668	2,329,914
Capital Grants and Contributions	1,034,911	5,496,035	18,262,515	2,652,609	19,297,426	8,148,644
General Revenues:						
Taxes	27,155,561	27,831,906	14,823	25,872	27,170,384	27,857,778
State Shared Revenues	279,182	244,839	-	-	279,182	244,839
Other	2,193,798	4,721,525	1,033,998	2,038,817	3,227,796	6,760,342
Total Revenues	40,663,773	46,904,683	81,416,395	70,306,824	122,080,168	117,211,507
Expenses:						
General Government	2,410,054	3,810,878	-	-	2,410,054	3,810,878
Public Safety	10,410,900	11,514,981	-	-	10,410,900	11,514,981
Public Works	8,951,937	8,613,891	-	-	8,951,937	8,613,891
Health and Welfare	331,709	306,237	-	-	331,709	306,237
Culture and Recreation	9,442,881	10,835,050	-	-	9,442,881	10,835,050
Conservation and Development	3,370,056	2,147,252	-	-	3,370,056	2,147,252
Debt Service	2,460,778	2,445,302	-	-	2,460,778	2,445,302
Sewer	-	-	4,199,653	4,208,887	4,199,653	4,208,887
Solid Waste	-	-	3,233,371	3,028,052	3,233,371	3,028,052
Airport	-	-	2,062,067	2,585,891	2,062,067	2,585,891
Electric	-	-	27,724,681	28,120,639	27,724,681	28,120,639
Water	-	-	4,957,186	5,041,180	4,957,186	5,041,180
Gas	-	-	11,908,351	8,976,321	11,908,351	8,976,321
Total Expenses	37,378,315	39,673,591	54,085,309	51,960,970	91,463,624	91,634,561
Excess (Deficiency) Before Special Items and Tr	3,285,458	7,231,092	27,331,086	18,345,854	30,616,544	25,576,946
Transfers	1,991,600	2,420,550	(1,991,600)	(2,420,550)	-	-
Special Items	(154,163)	-	-	-	(154,163)	-
Change in Net Position	5,122,895	9,651,642	25,339,486	15,925,304	30,462,381	25,576,946
Net Position - Beginning	166,440,290	171,563,185	221,546,083	246,885,569	387,986,373	418,448,754
Net Position - Ending	\$ 171,563,185	\$ 181,214,827	\$ 246,885,569	\$ 262,810,873	\$ 418,448,754	\$ 444,025,700

Management’s Discussion and Analysis

Governmental Activities

Governmental activities increased the City’s net position by \$9.7 million, accounting for 37.7% 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:

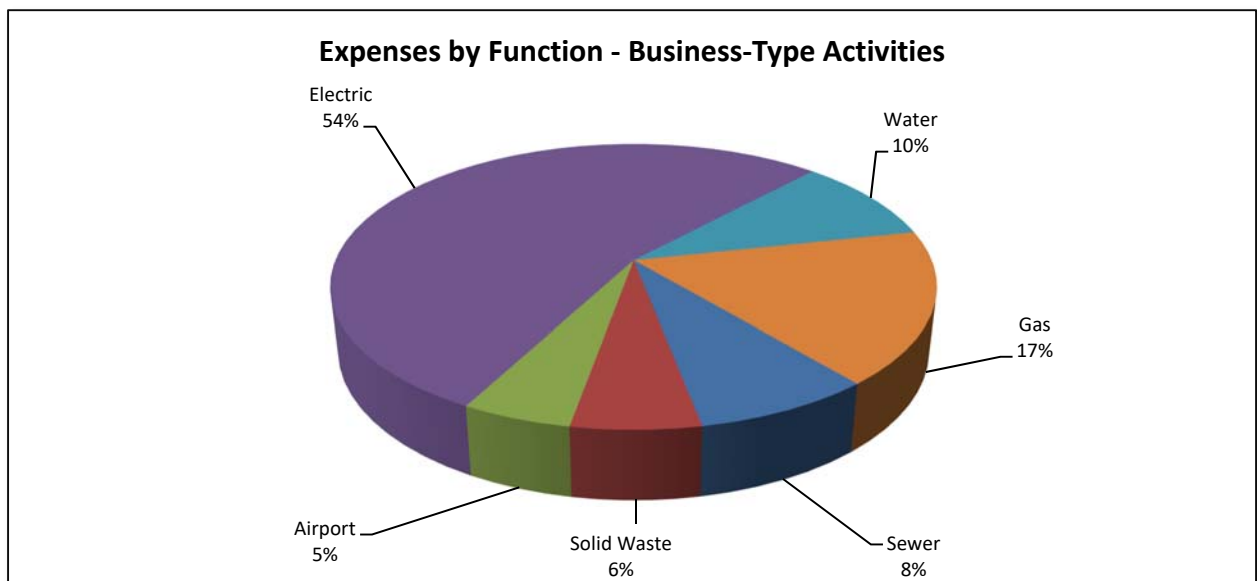
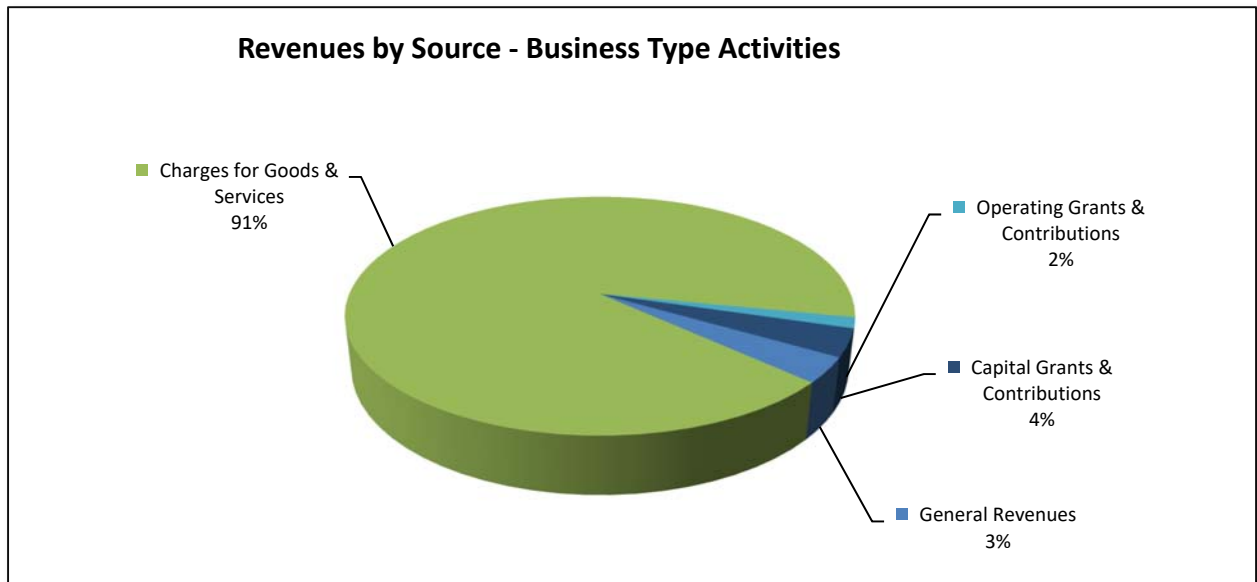


Management’s Discussion and Analysis

Business-Type Activities

Business-type activities increased the City’s net position by \$15.9 million, accounting for 62.3% 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

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 2023, the City's governmental funds reported combined fund balance total of \$56.8 million, a decrease of \$23.0 million, or 28.9% from 2022. Of the total fund balance, the City has internally earmarked \$25.3 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 increased by \$313,007 or about 2.4%, from 2022. As of the end of 2023, \$.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 \$12.7 million is about 63.6% of 2023 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 increased by \$1,490,799 or 6.0%. This increase resulted from projects not being completed in 2023 and an increase in revenue. The sales tax revenues exceeded the estimated budget by \$1,539,895 or 17.1%.

Capital Projects Fund (506) – The fund balance decreased by \$24.7 million or 80.7%. The significant decrease is due to the construction of a new ice arena that was near completion in 2023.

Proprietary Funds

Sewer Fund – Net position increased by \$1,903,711, or 2.8%, with an operating income of \$1,758,993. The amount of operating income equals approximately 31.3% of operating revenues for this fund. The increase in net position is attributable to the increase in rates established in 2022.

Electric, Gas, and Water Funds – Net position in the Electric, Gas and Water Funds increased by a combined \$13,500,287 or 11.9%. This increase resulted from overall strong operating income from electric, gas and water utility services.

Airport Fund – Net position decreased by \$188,050, or 0.4%. This decrease resulted from the completion of capital projects for the Snow Removal Equipment Building and Airport Terminal.

General Budgetary Highlights

The final 2023 General Fund expenditure budget reflects an increase to the original budget of \$1,477,311, or about 7.3%, with the majority of this increase in the public works functional area due to various project needs and equipment purchases being delayed.

Actual General Fund expenditures were about \$603,424, or 3.0%, less than the original budget. The difference between the original budgeted expenditures and actual results was due to large equipment purchases budgeted and not received in 2023.

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, 2023, totals \$418,685,018 (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 2023 included the following:

• Airport Snow Removal Equip. Bldg. (CIP) - \$3.7 million	• Landfill Scraper - \$1.1 million
• Wastewater Collection Impruv. (CIP) - \$3.0 million	• Ice Arena (CIP) - \$26.0 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 9.4, 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 2023 the City had total debt outstanding of \$96,268,152 in Sales Tax Bonds and other long-term obligations. This is a decrease of 3.9% or about \$3.9 million. There was no significant long-term debt activity for the year.

The City has outstanding \$915,000 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 \$17,240,000 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 \$6,650,000 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 10th Ave. NE reconstruction.

The City has outstanding \$17,740,000 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 \$6,955,000 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.

The City has outstanding \$9,950,000 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.

Management's Discussion and Analysis

Economic Outlook and Next Year's Budget

The City adopted the 2023 budget in late 2022 with the expectation of a stable local economy. The sales tax revenues received in 2023 showed an increase over 2022 of 4.1%. This increase was in line with the anticipated growth due to conservative budgeting. The 2023 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 2024 budget reflects a decrease in planned spending of \$31.6 million, or 24.9%, from the original 2023 budget. This decrease is due to large capital projects being completed during 2023. The sales-tax-dependent General Fund budget reflects an increase of \$1.7 million, or 7.2%. 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 2023 with an overall increase in the taxable value of real property of \$229,849,634 million reflecting a \$27.4 million increase from new property placed on the tax rolls and a \$202.4 million increase by virtue of the reappraisal process. The increase in taxable property will result in an increase of \$175,069 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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December 31, 2023

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
ASSETS				
Pooled Cash and Investments	\$ 55,507,012	\$ 39,874,851	\$ 95,381,863	\$ -
Non-Pooled Cash and Investments	-	-	-	1,414,402
Receivables, net	10,606,108	7,559,025	18,165,133	3,740
Due from Other Governments	337,586	5,770,485	6,108,071	645
Inventories	372,110	3,088,310	3,460,420	-
Deposits	-	7,261	7,261	-
Prepaid Expenses	333,653	442,913	776,566	21,443
Internal Balances	(1,740,563)	1,740,563	-	-
Net Pension Asset	54,581	31,196	85,777	711
Restricted Pooled Cash and Investments	4,555,984	8,136,842	12,692,826	-
Capital Assets:				
Land and Construction in Progress	54,532,181	13,602,771	68,134,952	291,433
Other Capital Assets, Net of Depreciation	133,904,179	216,645,887	350,550,066	706,839
Total assets	<u>258,462,831</u>	<u>296,900,104</u>	<u>555,362,935</u>	<u>2,439,213</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	4,228,341	2,416,685	6,645,026	55,206
OPEB Related Deferred Outflows	526,861	637,784	1,164,645	-
Total Deferred Outflows of Resources	<u>4,755,202</u>	<u>3,054,469</u>	<u>7,809,671</u>	<u>55,206</u>
LIABILITIES				
Accounts Payable	6,118,569	6,421,760	12,540,329	19,758
Salaries Payable	-	141,957	141,957	-
Retainage Payable	1,743,246	156,938	1,900,184	-
Accrued Interest Payable	224,613	89,524	314,137	-
Other Accrued Expenses	-	-	-	16,237
Customer Deposits	-	742,768	742,768	23,005
Revenues Collected in Advance	-	584,819	584,819	-
Unearned Revenue	506,231	1,391,587	1,897,818	-
Long-term Liabilities:				
Due within one year	4,188,062	3,031,904	7,219,966	-
Due in more than one year	66,188,321	22,859,865	89,048,186	-
Total liabilities	<u>78,969,042</u>	<u>35,421,122</u>	<u>114,390,164</u>	<u>59,000</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	2,744,347	1,571,694	4,316,041	35,563
OPEB Related Deferred Inflows	289,817	150,884	440,701	-
Total Deferred Inflows of Resources	<u>3,034,164</u>	<u>1,722,578</u>	<u>4,756,742</u>	<u>35,563</u>
NET POSITION				
Net Investment in Capital Assets	121,698,341	207,544,963	329,243,304	998,272
Restricted for Cemetery Perpetual Care:				
Expendable	6,024	-	6,024	-
Nonexpendable	50,000	-	50,000	-
Restricted for Culture & Recreation	3,320,759	-	3,320,759	-
Restricted for Debt Service	4,480,294	3,091,910	7,572,204	-
Restricted for Capital Projects	16,187,963	-	16,187,963	-
Restricted for Public Safety	929,898	-	929,898	-
Restricted for Operation & Maintenance	-	669,840	669,840	-
Restricted for Replacement & Depreciation	-	3,074,245	3,074,245	-
Restricted for SDRS Pension Purposes	1,538,575	876,188	2,414,763	20,354
Restricted for OPEB	-	437,020	437,020	-
Unrestricted	33,002,973	47,116,707	80,119,680	1,381,230
Total net position	<u>\$ 181,214,827</u>	<u>\$ 262,810,873</u>	<u>\$ 444,025,700</u>	<u>\$ 2,399,856</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, 2023

Statement of Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General Government	\$ 3,810,878	\$ 229,454	\$ 37,254	\$ 180,000
Public Safety	11,514,981	2,698,662	436,476	259,165
Public Works	8,613,891	218,599	726,772	3,389,867
Health and Welfare	306,237	-	9,197	-
Culture and Recreation	10,835,050	3,844,393	88,842	1,667,003
Conservation and Development	2,147,252	320,729	-	-
Interest on Long-Term Debt	2,445,302	-	-	-
Total governmental activities	39,673,591	7,311,837	1,298,541	5,496,035
Business-Type Activities:				
Sewer	4,208,887	5,620,978	-	614,141
Solid Waste	3,028,052	3,940,430	3,666	-
Airport	2,585,891	437,898	995,065	1,298,126
Electric	28,120,639	33,311,253	24,887	77,124
Water	5,041,180	8,666,952	2,262	663,218
Gas	8,976,321	12,580,642	5,493	-
Total business-type activities	51,960,970	64,558,153	1,031,373	2,652,609
Total primary government	91,634,561	71,869,990	2,329,914	8,148,644
Component units:				
Watertown Housing and Redev.	1,318,769	412,961	932,963	165,518
Total Component Units	\$ 1,318,769	\$ 412,961	\$ 932,963	\$ 165,518

General revenues:

- Taxes
 - Property Taxes
 - Sales and Use Taxes
 - Other Taxes
- State Shared Revenues
- Interest Earned
- Other Miscellaneous
- Sale of Capital Assets

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
Annual Comprehensive Financial Report
Year Ended December 31, 2023

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
\$ (3,364,170)	\$ -	\$ (3,364,170)		\$ -
(8,120,678)	-	(8,120,678)		-
(4,278,653)	-	(4,278,653)		-
(297,040)	-	(297,040)		-
(5,234,812)	-	(5,234,812)		-
(1,826,523)	-	(1,826,523)		-
(2,445,302)	-	(2,445,302)		-
<u>(25,567,178)</u>	<u>-</u>	<u>(25,567,178)</u>		<u>-</u>
-	2,026,232	2,026,232		-
-	916,044	916,044		-
-	145,198	145,198		-
-	5,292,625	5,292,625		-
-	4,291,252	4,291,252		-
-	3,609,814	3,609,814		-
-	16,281,165	16,281,165		-
<u>(25,567,178)</u>	<u>16,281,165</u>	<u>(9,286,013)</u>		<u>-</u>
				192,673
				<u>\$ 192,673</u>
5,102,864	-	5,102,864		-
22,454,880	-	22,454,880		-
274,162	25,872	300,034		-
244,839	-	244,839		-
4,272,183	2,393,440	6,665,623		10,316
437,324	-	437,324		-
12,018	(354,623)	(342,605)		-
2,420,550	(2,420,550)	-		-
<u>35,218,820</u>	<u>(355,861)</u>	<u>34,862,959</u>		<u>10,316</u>
9,651,642	15,925,304	25,576,946		202,989
171,563,185	246,885,569	418,448,754		2,196,867
<u>\$ 181,214,827</u>	<u>\$ 262,810,873</u>	<u>\$ 444,025,700</u>		<u>\$ 2,399,856</u>

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

City of Watertown
Annual Comprehensive Financial Report
December 31, 2023

Balance Sheet - Governmental Funds

	General Fund	Capital Improvement Fund	Capital Projects Fund (506)	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled Cash and Investments	\$ 11,265,570	\$ 16,696,076	\$ 11,621,398	\$ 15,923,968	\$ 55,507,012
Property Taxes Receivable	50,145	-	-	3,607	53,752
Sales Tax Receivable	1,930,415	1,930,415	-	193,990	4,054,820
Accounts Receivable	1,347,514	2,196,607	-	332,980	3,877,101
Special Assessments Receivable	467,264	237,939	-	-	705,203
Loans Receivable	-	116,785	-	1,798,447	1,915,232
Due From Other Funds	237,511	-	-	-	237,511
Due From Other Governments	158,245	165,710	-	13,631	337,586
Inventory	286,699	-	-	85,411	372,110
Prepaid Expense	108,919	-	-	-	108,919
Advance To Other Fund	-	4,442,684	-	-	4,442,684
Prepaid Insurance Premium	-	224,734	-	-	224,734
Restricted Assets:					
Pooled Cash and Investments	72,632	4,480,294	-	3,058	4,555,984
Total assets	15,924,914	30,491,244	11,621,398	18,355,092	76,392,648
LIABILITIES					
Accounts Payable	926,714	322,332	4,333,088	536,435	6,118,569
Retainage Payable	-	358,522	1,384,724	-	1,743,246
Advance From Other Fund	-	-	-	6,420,758	6,420,758
Total liabilities	926,714	680,854	5,717,812	6,957,193	14,282,573
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	1,519,126	3,507,918	-	324,861	5,351,905
Total Deferred Inflows of Resources	1,519,126	3,507,918	-	324,861	5,351,905
FUND BALANCES					
Nonspendable for:					
Inventory	286,699	-	-	85,411	372,110
Cemetery Perpetual Care	50,000	-	-	-	50,000
Restricted for:					
Debt Service	-	4,480,294	-	-	4,480,294
Capital Projects	-	-	5,903,586	10,284,377	16,187,963
BBB Sales Tax	-	-	-	1,119,871	1,119,871
Event Center	-	-	-	3,058	3,058
E-911 Services	-	-	-	929,898	929,898
Library	-	-	-	180,011	180,011
Cable TV Security	16,608	-	-	-	16,608
Cemetery Perpetual Care	6,024	-	-	-	6,024
Casualty Reserve	-	-	-	32,848	32,848
Assigned for:					
Group Health Premium	406,114	-	-	-	406,114
Park Development	-	-	-	78,804	78,804
Golf Course	-	-	-	8,512	8,512
Zoo Improvements	-	-	-	2,393	2,393
Ice Arena	-	2,149,813	-	1,000,000	3,149,813
Advances	-	4,442,684	-	-	4,442,684
Other Purposes	16,153	15,229,681	-	1,969,235	17,215,069
Unassigned:	12,697,476	-	-	(4,621,380)	8,076,096
Total fund balances	13,479,074	26,302,472	5,903,586	11,073,038	56,758,170
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,924,914</u>	<u>\$ 30,491,244</u>	<u>\$ 11,621,398</u>	<u>\$ 18,355,092</u>	<u>\$ 76,392,648</u>

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Fund balances of governmental funds		\$ 56,758,170
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	246,739,100	
Accumulated Depreciation	<u>(58,302,740)</u>	188,436,360
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	(915,000)	
2020 Revenue Bonds - Refunding	(17,240,000)	
2021 Revenue Bonds	(6,650,000)	
2022 Revenue Bonds	(17,740,000)	
2022 Revenue Bonds - 2022B	(6,955,000)	
2023 Revenue Bonds - 2022C	(9,950,000)	
2021 Tax Increment Bonds - TIF #11	(1,857,863)	
SRF Loan #6 - CW	(373,324)	
SRF Loan #6 - NPS	(31,870)	
SRF Loan #8 - CW	(161,362)	
SRF Loan #8 - NPS	(18,055)	
SRF Loan #10 - CW	(1,198,662)	
SRF Loan #11 - CW	(95,876)	
Unamortized Premiums on Bonds	(3,551,007)	
Accrued Interest Payable	(224,613)	
Other Post Employment Benefits	(1,203,437)	
Compensated Absences	<u>(2,434,927)</u>	(70,600,996)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		
		54,581
Pension related deferred outflows are components of pension asset and therefore not reported in the funds.		
		4,228,341
Pension related deferred inflows are components of pension asset and therefore not reported in the funds.		
		(2,744,347)
Net OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds.		
		237,044
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	198,971	
Franchise Fees	31,794	
E-911 Surcharges	108,193	
Grants	95,330	
Contributions	2,279,000	
General Sales and Use Tax	<u>2,132,386</u>	4,845,674
Net Position of governmental activities		<u>\$ 181,214,827</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, 2023

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

	General Fund	Capital Improvement Fund	Capital Projects Fund (506)	Other Governmental Funds	Total Governmental Funds
REVENUES					
Tax Revenue					
Property	\$ 4,174,545	\$ -	\$ -	\$ 928,319	\$ 5,102,864
Sales	10,549,895	10,549,895	-	1,222,210	22,322,000
Other Taxes	277,362	-	-	-	277,362
Licenses and Permits	505,758	-	-	-	505,758
Intergovernmental	1,317,882	1,394,978	-	73,700	2,786,560
Charges for Goods and Services	2,232,463	-	-	4,105,110	6,337,573
Fines and Forfeits	29,302	-	-	11,462	40,764
Interest Revenue	581,807	1,467,349	1,402,896	820,131	4,272,183
Rentals	2,871	-	-	382,368	385,239
Special Assessments	50,738	-	-	-	50,738
Donations/Contributions	79,342	950,715	-	149,423	1,179,480
Miscellaneous	161,448	121,656	-	158,170	441,274
Total revenues	<u>19,963,413</u>	<u>14,484,593</u>	<u>1,402,896</u>	<u>7,850,893</u>	<u>43,701,795</u>
EXPENDITURES					
Current:					
General Government	3,684,010	-	-	203,410	3,887,420
Public Safety	9,626,434	114,370	-	1,185,491	10,926,295
Public Works	3,916,463	5,201,668	-	634,355	9,752,486
Health and Welfare	302,159	-	-	-	302,159
Culture and Recreation	1,646,364	1,450,604	26,057,522	7,286,912	36,441,402
Conservation and Development	525,201	385,325	-	1,101,772	2,012,298
Debt Service	-	5,374,466	-	463,737	5,838,203
Total expenditures	<u>19,700,631</u>	<u>12,526,433</u>	<u>26,057,522</u>	<u>10,875,677</u>	<u>69,160,263</u>
Excess (deficiency) of revenues over expenditures	<u>262,782</u>	<u>1,958,160</u>	<u>(24,654,626)</u>	<u>(3,024,784)</u>	<u>(25,458,468)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Municipal Property	-	-	-	18,360	18,360
Transfers In	2,650,225	-	-	3,628,805	6,279,030
Transfers Out	(2,600,000)	(467,361)	-	(791,119)	(3,858,480)
Total other financing sources (uses)	<u>50,225</u>	<u>(467,361)</u>	<u>-</u>	<u>2,856,046</u>	<u>2,438,910</u>
Net Change in Fund Balances	313,007	1,490,799	(24,654,626)	(168,738)	(23,019,558)
Fund balances -- beginning	13,166,067	24,811,673	30,558,212	11,241,776	79,777,728
Fund balances -- ending	<u>\$ 13,479,074</u>	<u>\$ 26,302,472</u>	<u>\$ 5,903,586</u>	<u>\$ 11,073,038</u>	<u>\$ 56,758,170</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, 2023

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

Net change in fund balances --total governmental funds (\$ 23,019,558)

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	32,474,355	
Less Current Depreciation	<u>(4,189,677)</u>	28,284,678

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.

(91,690)

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:

Special Assessments	(9,883)	
Sales Taxes	132,880	
Franchise Fees	(3,200)	
E-911 Surcharges	1,648	
Contributions	1,663,130	
Miscellaneous Revenue	(3,950)	
Grants	<u>(279,632)</u>	1,500,993

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.

Amortized Premium on Bonds	201,275	
Repayment of Bond Principal	<u>3,148,760</u>	3,350,035

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

(93,470)

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.

(118,277)

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

(203,935)

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		42,866
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Change in net position of governmental activities	<u><u>\$ 9,651,642</u></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, 2023

Statement of Net Position - Proprietary Funds

	Sewer Fund	Electric Fund	Water Fund
ASSETS			
Current assets:			
Pooled Cash and Investments	\$ 2,341,792	\$ 22,018,171	\$ 3,438,689
Accounts Receivable	533,446	2,613,316	915,606
Unbilled Accounts Receivable	-	751,886	211,926
Other Receivable	-	-	75,848
Due From Other Funds	-	2,000,000	-
Due From Other Governments	2,895,446	-	-
Advance To Other Fund	1,978,074	-	-
Inventory	310,908	1,504,851	861,903
Deposit for Flexible Spending	-	7,261	-
Prepaid Expense	-	207,080	104,883
Net Pension Asset	3,267	10,735	4,994
Restricted Pooled Cash and Investments	4,086,658	-	2,749,338
Total Current assets:	12,149,591	29,113,300	8,363,187
Noncurrent assets:			
Land	1,737,749	464,914	512,669
Buildings and Structures	44,160,907	7,083,848	22,190,294
Furniture Equipment Machinery	1,850,323	2,869,500	1,218,242
Improvements Other Than Buildings	59,905,302	61,073,851	43,242,583
Intangible Property	-	-	-
Construction in Progress	3,141,671	108,810	785,893
Accumulated Depreciation	(38,272,226)	(35,499,776)	(25,340,329)
Accumulated Amortization	-	(137,741)	(69,869)
Total Noncurrent assets:	72,523,726	35,963,406	42,539,483
Total assets	84,673,317	65,076,706	50,902,670
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	256,038	830,818	388,850
OPEB Related Deferred Outflows	39,335	244,236	125,971
Total Deferred Outflows of Resources	295,373	1,075,054	514,821
LIABILITIES			
Current liabilities:			
Accounts Payable	813,656	2,668,499	684,012
Salaries Payable	-	65,926	34,560
Retainage Payable	16,597	-	-
Revenues Collected in Advance	-	316,393	42,668
Due to Other Funds	-	-	8,200,000
Loans Payable	1,034,313	-	1,469,848
Accrued Interest Payable	52,592	-	29,938
Accrued Vacation and Sick Leave	48,890	156,176	82,974
Unearned Revenue	-	687,267	-
Customer Deposits	-	742,768	-
Total Current liabilities:	1,966,048	4,637,029	10,544,000
Noncurrent liabilities:			
Accrued Vacation and Sick Leave	146,671	468,530	248,923
Net OPEB Liability	90,309	963	544
Closure/Post Closure Liability	-	-	-
Loans Payable	13,392,729	-	5,210,754
Total Noncurrent liabilities:	13,629,709	469,493	5,460,221
Total liabilities	15,595,757	5,106,522	16,004,221
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	163,380	538,467	252,454
OPEB Related Deferred Inflows	21,583	43,111	23,178
Total Deferred Inflows of Resources	184,963	581,578	275,632
NET POSITION			
Net Investment in Capital Assets	58,080,087	35,963,406	35,858,881
Restricted for SDRS Pension Purposes	95,925	303,086	141,390
Restricted for OPEB Purposes	-	200,162	102,249
Restricted for SRF O&M	246,515	-	423,325
Restricted for SRF R&D	3,074,245	-	-
Restricted for Debt Service	765,898	-	2,326,012
Unrestricted	6,925,300	23,997,006	(3,714,219)
Total net position	\$ 69,187,970	\$ 60,463,660	\$ 35,137,638

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

City of Watertown
Annual Comprehensive Financial Report
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Statement of Net Position - Proprietary Funds (continued)

Gas Fund		Airport Fund		Other Proprietary Funds		Total Proprietary Funds	
\$	8,595,936	\$	-	\$	3,480,263	\$	39,874,851
	1,580,953		9,065		328,560		5,980,946
	538,419		-		-		1,502,231
	-		-		-		75,848
	6,200,000		-		-		8,200,000
	-		2,875,039		-		5,770,485
	-		-		-		1,978,074
	340,367		41,360		28,921		3,088,310
	-		-		-		7,261
	130,950		-		-		442,913
	6,841		1,781		3,578		31,196
	-		-		1,300,846		8,136,842
	<u>17,393,466</u>		<u>2,927,245</u>		<u>5,142,168</u>		<u>75,088,957</u>
	58,131		248,400		685,743		3,707,606
	1,665,743		20,084,316		993,472		96,178,580
	1,576,500		4,622,824		6,899,970		19,037,359
	21,708,671		37,018,770		8,544,155		231,493,332
	3,930,745		-		-		3,930,745
	25,404		5,833,387		-		9,895,165
	(13,144,096)		(14,552,298)		(6,237,284)		(133,046,009)
	(740,510)		-		-		(948,120)
	<u>15,080,588</u>		<u>53,255,399</u>		<u>10,886,056</u>		<u>230,248,658</u>
	<u>32,474,054</u>		<u>56,182,644</u>		<u>16,028,224</u>		<u>305,337,615</u>
	528,443		136,338		276,198		2,416,685
	164,091		19,378		44,773		637,784
	<u>692,534</u>		<u>155,716</u>		<u>320,971</u>		<u>3,054,469</u>
	910,567		138,529		1,206,497		6,421,760
	41,471		-		-		141,957
	-		140,341		-		156,938
	225,758		-		-		584,819
	-		237,511		-		8,437,511
	-		-		75,156		2,579,317
	-		-		6,994		89,524
	115,435		10,276		38,836		452,587
	-		704,320		-		1,391,587
	-		-		-		742,768
	<u>1,293,231</u>		<u>1,230,977</u>		<u>1,327,483</u>		<u>20,998,768</u>
	346,305		30,829		116,506		1,357,764
	641		38,524		102,834		233,815
	-		-		1,300,846		1,300,846
	-		-		1,363,957		19,967,440
	<u>346,946</u>		<u>69,353</u>		<u>2,884,143</u>		<u>22,859,865</u>
	<u>1,640,177</u>		<u>1,300,330</u>		<u>4,211,626</u>		<u>43,858,633</u>
	342,550		95,919		178,924		1,571,694
	28,841		9,693		24,478		150,884
	<u>371,391</u>		<u>105,612</u>		<u>203,402</u>		<u>1,722,578</u>
	15,080,588		53,115,058		9,446,943		207,544,963
	192,735		42,200		100,852		876,188
	134,609		-		-		437,020
	-		-		-		669,840
	-		-		-		3,074,245
	-		-		-		3,091,910
	<u>15,747,088</u>		<u>1,775,160</u>		<u>2,386,372</u>		<u>47,116,707</u>
\$	<u>31,155,020</u>	\$	<u>54,932,418</u>	\$	<u>11,934,167</u>	\$	<u>262,810,873</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, 2023

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

	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>
OPERATING REVENUES			
Charges for Goods and Services	\$ 2,926,283	\$ 32,247,685	\$ 5,136,657
Miscellaneous	9,880	146,501	308,710
Revenues from Transmission of Electricity	-	847,045	-
Rentals	-	70,022	374,516
Revenue Dedicated to Servicing Debt	2,684,815	-	2,847,069
Total operating revenues	<u>5,620,978</u>	<u>33,311,253</u>	<u>8,666,952</u>
OPERATING EXPENSES			
Personal Services	1,085,282	-	-
Supplies	166,516	-	-
Utilities	315,285	-	-
Other Charges	528,455	-	-
Production	-	19,471,030	1,974,251
Distribution	-	2,895,358	1,313,875
Transmission	-	2,962,947	-
Accounts and Commercial	-	852,995	123,420
Administrative and General	-	367,221	39,567
Administrative and General - Employer Pension	-	41,805	18,748
Other Miscellaneous Expense	-	40,561	13,395
Depreciation	1,766,446	1,485,727	1,454,032
Amortization	-	2,995	4,893
Total operating expenses	<u>3,861,984</u>	<u>28,120,639</u>	<u>4,942,181</u>
Operating Income (Loss)	<u>1,758,994</u>	<u>5,190,614</u>	<u>3,724,771</u>
NONOPERATING REVENUES (EXPENSES)			
Tax Revenue	-	-	-
Intergovernmental	-	24,887	2,262
Interest Revenue	444,830	1,092,671	273,035
Bond Issuance Cost	(22,500)	-	-
Interest Expense	(204,403)	-	(98,999)
Contributions	(120,000)	-	-
Gain(Loss) on Disposition of Capital Assets	-	(10,251)	-
Total nonoperating revenues (expenses)	<u>97,927</u>	<u>1,107,307</u>	<u>176,298</u>
Income (loss) before contributions and transfers	1,856,921	6,297,921	3,901,069
Transfers Out	(567,350)	(1,063,125)	-
Capital Contributions	614,141	77,124	663,218
Change in net position	<u>1,903,712</u>	<u>5,311,920</u>	<u>4,564,287</u>
Total net position -- beginning	<u>67,284,258</u>	<u>55,151,740</u>	<u>30,573,351</u>
Total net position -- ending	<u>\$ 69,187,970</u>	<u>\$ 60,463,660</u>	<u>\$ 35,137,638</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, 2023

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

Gas Fund		Airport Fund		Other Proprietary Funds		Total Proprietary Funds	
\$	12,498,790	\$	148,377	\$	3,921,298	\$	56,879,090
	74,634		3,306		19,132		562,163
	-		-		-		847,045
	7,218		286,215		-		737,971
	-		-		-		5,531,884
	<u>12,580,642</u>		<u>437,898</u>		<u>3,940,430</u>		<u>64,558,153</u>
	-		607,089		1,342,428		3,034,799
	-		79,204		309,700		555,420
	-		132,696		47,116		495,097
	-		586,029		722,912		1,837,396
	5,722,563		-		-		27,167,844
	1,883,254		-		-		6,092,487
	-		-		-		2,962,947
	523,661		-		-		1,500,076
	222,300		-		-		629,088
	26,048		-		-		86,601
	50,834		-		-		104,790
	428,821		1,180,873		503,176		6,819,075
	118,840		-		-		126,728
	<u>8,976,321</u>		<u>2,585,891</u>		<u>2,925,332</u>		<u>51,412,348</u>
	<u>3,604,321</u>		<u>(2,147,993)</u>		<u>1,015,098</u>		<u>13,145,805</u>
	-		25,872		-		25,872
	5,493		995,065		3,666		1,031,373
	378,643		-		204,261		2,393,440
	-		-		-		(22,500)
	-		-		(22,720)		(326,122)
	-		-		(80,000)		(200,000)
	(10,002)		(359,120)		24,750		(354,623)
	<u>374,134</u>		<u>661,817</u>		<u>129,957</u>		<u>2,547,440</u>
	3,978,455		(1,486,176)		1,145,055		15,693,245
	(354,375)		-		(435,700)		(2,420,550)
	-		1,298,126		-		2,652,609
	<u>3,624,080</u>		<u>(188,050)</u>		<u>709,355</u>		<u>15,925,304</u>
	27,530,940		55,120,468		11,224,812		246,885,569
\$	<u>31,155,020</u>	\$	<u>54,932,418</u>	\$	<u>11,934,167</u>	\$	<u>262,810,873</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, 2023

Statement of Cash Flows - Proprietary Funds

	<u>Sewer Fund</u>	<u>Electric Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customer Including Deposits	\$ 5,439,611	\$ 30,717,790
Cash Receipts for Interfund Services Provided	31,656	1,596,786
Payments to Suppliers	(120,657)	(23,226,536)
Payments to Employees	(1,086,862)	(4,120,956)
Payments for Interfund Services Used	(302,404)	(48,123)
Other Operating Cash Receipts	9,880	743,679
Net cash provided (used) by operating activities	<u>3,971,224</u>	<u>5,662,640</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Interfund Loans	-	-
Tax Revenue	-	-
Intergovernmental Revenue	-	24,887
Contribution	(120,000)	-
Transfers Out	(567,350)	(1,063,125)
Net cash provided (used) by noncapital financing activities	<u>(687,350)</u>	<u>(1,038,238)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,521,410)	(3,262,656)
Interest payments on SRF Loan	(222,140)	-
Unamortized Premiums on Bonds Issued	(12,314)	-
Proceeds from SRF Loan	364,067	-
Cost of Bond Issuance	(22,500)	-
Principal payments on SRF Loan	(961,752)	-
Capital Contribution	-	77,125
Retirement Work in Progress	-	(38,327)
Net cash provided (used) by capital and related financing activities	<u>(4,376,049)</u>	<u>(3,223,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	314,392	1,092,671
Net cash provided by investing activities	<u>314,392</u>	<u>1,092,671</u>
Net increase (decrease) in cash and cash equivalents	(777,783)	2,493,215
Pooled Cash and Investments - beginning of year	7,206,233	19,524,958
Pooled Cash and Investments - end of year	<u>6,428,450</u>	<u>22,018,173</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,758,993	\$ 5,190,613
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,766,446	1,488,722
Changes in assets and Liabilities:		
Accounts Payable - Other	-	(69,422)
Accounts Payable	586,381	28,826
Customer Receivables	(139,830)	(80,209)
Net Pension Asset	36	(275)
Deferred Outflows Related to Pensions	46,072	116,027
Deferred Outflows Related to OPEB	5,536	108,204
Inventory	814	(473,057)
Other Operating Receivables	-	(1,549)
Other Post Employment Benefits	(14,761)	(556,349)
Deferred Inflows Related to Pensions	(29,182)	(73,947)
Deferred Inflows Related to OPEB	17,927	40,630
Unearned Revenue	-	(101,817)
Salaries & Benefits Payable	(27,208)	46,243
Net Cash provided (used) by operating activities	<u>\$ 3,971,224</u>	<u>\$ 5,662,640</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Assets Purchases in Retainage Payable	\$ 16,597	\$ -

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

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

Statement of Cash Flows - Proprietary Funds (continued)

Water Fund		Gas Fund		Airport Fund		Other Proprietary Funds		Total Proprietary Funds	
\$	8,862,958	\$	12,798,712	\$	438,497	\$	3,948,057	\$	62,205,625
	1,007,076		385,750		-		-		3,021,268
	(1,794,445)		(7,047,137)		(929,350)		(834,442)		(33,952,567)
	(1,774,828)		(2,609,155)		(579,252)		(1,325,023)		(11,496,076)
	(632,560)		(22,558)		-		-		(1,005,645)
	-		-		3,306		19,132		775,997
	5,668,201		3,505,612		(1,066,799)		1,807,724		19,548,602
	-		-		(487,362)		-		(487,362)
	-		-		25,872		-		25,872
	2,262		5,493		1,064,942		-		1,097,584
	-		-		-		(80,000)		(200,000)
	-		(354,375)		-		(435,700)		(2,420,550)
	2,262		(348,882)		603,452		(515,700)		(1,984,456)
	(3,143,892)		(1,189,309)		(993,682)		(1,484,427)		(13,595,376)
	(103,096)		-		-		(24,778)		(350,014)
	(24,848)		-		-		-		(37,162)
	-		-		-		134,827		498,894
	-		-		-		-		(22,500)
	(1,425,000)		-		-		(44,766)		(2,431,518)
	663,219		-		1,457,029		3,666		2,201,039
	-		-		-		-		(38,327)
	(4,033,617)		(1,189,309)		463,347		(1,415,478)		(13,774,964)
	273,036		378,643		-		204,261		2,263,002
	273,036		378,643		-		204,261		2,263,002
	1,909,882		2,346,064		-		80,807		6,052,184
	4,278,145		6,249,872		-		4,700,302		41,959,510
	6,188,027		8,595,936		-		4,781,109		48,011,695
\$	3,724,771	\$	3,604,321	\$	(2,147,992)	\$	1,015,098	\$	13,145,804
	1,458,925		547,661		1,180,873		503,176		6,945,803
	-		-		53		1,109		(68,260)
	(214,462)		(991,850)		(130,644)		249,306		(472,443)
	1,209,326		603,820		3,904		(23,366)		1,573,645
	(288)		(195)		(363)		(79)		(1,163)
	41,649		72,790		(6,282)		42,053		312,309
	60,113		72,136		2,808		6,287		255,084
	(352,440)		(44,386)		(830)		(5,129)		(875,028)
	(6,243)		-		-		50,125		42,333
	(297,799)		(372,371)		(6,889)		(16,730)		(1,264,900)
	(22,613)		(46,547)		10,157		(25,016)		(187,149)
	21,737		27,195		8,366		20,318		136,173
	-		-		-		-		(101,817)
	45,525		33,038		20,040		(9,428)		108,211
\$	5,668,201	\$	3,505,612	\$	(1,066,799)	\$	1,807,724	\$	19,548,603
\$	-	\$	-	\$	140,341	\$	-	\$	156,938

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

Notes to the Financial Statements

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

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

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* is a special revenue fund that accounts for the capital improvement projects and debt service funded by the second penny City sales tax.

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

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

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

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. The City uses the consumption method to record changes in prepaid items, a prepaid asset is reported in the period it is purchased and recognition of expenditure is deferred until it is consumed.

Notes to the Financial Statements

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. Vacation, compensatory time, and sick leave accruals are recognized as long-term liabilities and will generally be liquidated out of the General Fund. Thus, the governmental fund financial statements accrue vacation and compensatory time only if they have matured due to termination of employment.

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

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, 2023, the following funds have deficit fund balances in the amount shown:

Tax Increment Financing 2 Fund	\$ (1,484,484)
Tax Increment Financing 5 Fund	\$ (3,136,896)

Notes to the Financial Statements

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 and savings accounts. 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, 2023, 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 2024 is included in the accompanying financial statements, since such taxes become due and payable on January 1, 2024, 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, 2023 was \$1.76 per \$1,000 of taxable valuation.

The City has thirteen active Tax Increment Financing Districts (TIF). For ten 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 \$613,963 were received by the City and paid to project developers or banks during 2023.

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, 2023:

	Other	Taxes	Accounts	Special Assessments	Loans	Unbilled Accounts	Total
General Fund	\$ -	\$ 1,980,560	\$ 1,347,514	\$ 467,264	\$ -	\$ -	\$ 3,795,338
Capital Improvement	-	1,930,415	2,196,607	237,939	116,785	-	4,481,746
Sewer	-	-	533,446	-	-	-	533,446
Electric	-	-	2,613,316	-	-	751,886	3,365,202
Water	75,848	-	915,606	-	-	211,926	1,203,380
Gas	-	-	1,580,953	-	-	538,419	2,119,372
Airport	-	-	9,065	-	-	-	9,065
Nonmajor and Other	-	197,597	661,540	-	1,798,447	-	2,657,584
	\$ 75,848	\$ 4,108,572	\$ 9,858,047	\$ 705,203	\$ 1,915,232	\$ 1,502,231	\$ 18,165,133

Notes to the Financial Statements

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	\$ 16,140
Uncollectibles related to water sales	6,725
Uncollectibles related to gas sales	<u>9,116</u>
Total uncollectibles of the current fiscal year	\$ 31,981

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)	\$ 1,017,358
Sales tax receivable (special revenue funds)	1,115,027
Special assessments not yet due (general fund)	467,264
Special assessments not yet due (special revenue funds)	237,939
Due from other governments (general fund)	2,710
Due from other governments (special revenue funds)	92,620
Accounts receivable - Sponsorship agreements (special revenue fund)	2,279,000
Accounts receivable - Franchise Fees (general fund)	31,794
Accounts receivable - E-911 surcharges (special revenue funds)	<u>108,193</u>
Total	\$ 5,351,905

D. Due From Other Governments

Amounts due from other governments for the Primary Government include the following at December 31, 2023:

	Due from Federal	Due from State	Total
Governmental Activities			
General Fund	\$ 14,674	\$ 143,571	\$ 158,245
Capital Improvement Fund	146,215	19,495	165,710
E-911 Fund	-	13,631	13,631
Total Governmental Activities	<u>160,889</u>	<u>176,697</u>	<u>337,586</u>
Business-Type Activities			
Enterprise Funds			
Sewer	-	2,895,446	2,895,446
Airport	2,845,151	29,888	2,875,039
Total Business-Type Activities	<u>2,845,151</u>	<u>2,925,334</u>	<u>5,770,485</u>
Total	<u>\$ 3,006,040</u>	<u>\$ 3,102,031</u>	<u>\$ 6,108,071</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, 2023, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Airport Fund	\$ 237,511
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, 2023 were as follows:

	General Fund	Nonmajor Governmental Funds	Total
Transfers Out			
General Fund	\$ -	\$ 2,600,000	\$ 2,600,000
Capital Improvement Fund	-	467,361	467,361
Sewer Fund	567,350	-	567,350
Electric Fund	1,063,125	-	1,063,125
Gas Fund	354,375	-	354,375
Nonmajor Governmental Funds	229,676	561,444	791,120
Nonmajor Business-Type Funds	435,700	-	435,700
	\$ 2,650,226	\$ 3,628,805	\$ 6,279,301

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%.

Notes to the Financial Statements

H. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Non-Depreciable Assets				
Land	\$ 19,898,343	\$ 315,000	\$ -	\$ 20,213,343
Construction in Progress	12,525,830	28,340,826	(6,547,818)	34,318,838
Depreciable Assets:				
Buildings & Structures	59,657,262	152,698	(72,314)	59,737,646
Improvements other than Buildings	104,983,577	8,912,600	(39,295)	113,856,882
Equipment & Automotive	17,786,768	1,478,036	(652,413)	18,612,391
Totals	\$ 214,851,780	\$ 39,199,160	\$ (7,311,840)	\$ 246,739,100
Less Accumulated Depreciation:				
Buildings & Structures	(17,362,562)	(1,228,923)	60,829	(18,530,656)
Improvements other than Buildings	(25,098,171)	(1,955,316)	10,265	(27,043,222)
Equipment & Automotive	(12,147,675)	(1,183,379)	602,192	(12,728,862)
Total Accumulated Depreciation	(54,608,408)	(4,367,618)	673,286	(58,302,740)
Governmental Activities Capital Assets, net	\$ 160,243,372	\$ 34,831,542	\$ (6,638,554)	\$ 188,436,360
Business-Type Activities				
Non-Depreciable Assets				
Land	\$ 3,705,606	\$ 2,000	\$ -	\$ 3,707,606
Construction in Progress	17,153,894	4,234,238	(11,492,967)	9,895,165
Depreciable Assets:				
Intangible Property	3,930,745	-	-	3,930,745
Buildings & Structures	92,725,395	3,969,145	(515,960)	96,178,580
Improvements other than Buildings	217,589,021	14,711,082	(806,771)	231,493,332
Equipment & Automotive	16,714,561	2,659,177	(336,379)	19,037,359
Totals	\$ 351,819,222	\$ 25,575,642	\$ (13,152,077)	\$ 364,242,787
Less Accumulated Depreciation:				
Amortization of Intangible Property	\$ (821,392)	\$ (126,728)	\$ -	\$ (948,120)
Buildings & Structures	(31,178,223)	(1,805,922)	125,087	(32,859,058)
Improvements other than Buildings	(84,527,526)	(3,982,745)	552,274	(87,957,997)
Equipment & Automotive	(11,451,904)	(1,113,429)	336,379	(12,228,954)
Total Accumulated Depreciation	(127,979,045)	(7,028,824)	1,013,740	(133,994,129)
Governmental Activities Capital Assets, net	\$ 223,840,177	\$ 18,546,818	\$ (12,138,337)	\$ 230,248,658

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Notes to the Financial Statements

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

Governmental Activities:	<u>Depreciation Expense</u>
General Government	\$ 65,071
Public Safety	562,863
Public Works	1,669,855
Culture & Recreation	1,721,643
Conservation & Development	170,246
Total Depreciation Expense - Governmental Activities	<u>\$ 4,189,678</u>
Accumulated Depreciation related to Transfers of Capital Assets from Business-Type Activities	177,940
	<u>\$ 4,367,618</u>
Business-Type Activities:	
Sewer	\$ 1,766,446
Solid Waste	503,176
Airport	1,180,873
Electric	1,485,727
Water	1,454,032
Gas	428,821
Total Depreciation Expense - Business-Type Activities	<u>\$ 6,819,075</u>
Accumulated Depreciation related to Transfers of Capital Assets from Governmental Activities	209,749
	<u>\$ 7,028,824</u>

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

<u>Project</u>	<u>Contracted Amount</u>	<u>Expended in 12/31/23</u>	<u>Committed</u>
Governmental Funds:			
Ice Complex	\$ 34,212,035	\$ 26,057,522	\$ 30,281,639
Bike Trail Phase 3A & 3B	-	26,206	26,206
Boys & Girls Club Rooftop Units	168,750	135,844	135,844
City Hall Purchase/Remodel	-	-	1,436,602
Street Facility Project	-	626,358	928,901
Storm Water Project	-	-	14,750
Neighborhood Street Projects	-	1,494,896	1,494,896
	<u>34,380,785</u>	<u>28,340,826</u>	<u>34,318,838</u>
Enterprise Funds:			
Wastewater Treatment Facility Improvements	\$ -	\$ 2,750,226	\$ 2,750,226
Wastewater Collection Improvements	-	225,473	225,473
10 th Ave. NW – Street Facility Sewer	-	165,972	165,972
Terminal Site Improv./SRE Building	-	29,800	5,640,853
Parallel Taxiway & Ag Spray	-	104,286	104,286
Parallel Taxiway C & B	-	88,248	88,248
Electric System Force Account Projects	-	98,921	98,921
Water System Force Account Projects	-	745,908	745,908
Gas System Force Account Projects	-	25,404	25,404
	<u>-</u>	<u>4,234,238</u>	<u>9,845,291</u>
Total Primary Government	<u>\$ 34,380,785</u>	<u>\$ 32,575,064</u>	<u>\$ 44,164,129</u>

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Notes to the Financial Statements

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 2023 and outstanding balances as of December 31, 2023 follows:

	Balance Outstanding 12/31/2022	Additions During 2023	Deletions During 2023	Balance Outstanding 12/31/2023	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Loans Payable:					
State Revolving Fund-Loan #5; Original Issue \$2,055,000; 3.5% interest, due in 2025	326,323	-	141,879	184,444	146,910
State Revolving Fund-Loan #7 CW; Original Issue \$847,170; 2.25% interest; due in 2029	292,886	-	44,146	248,740	45,148
State Revolving Fund-Loan #7 NPS; Original Issue \$81,205; 2.25% interest; due in 2029	29,386	-	4,429	24,957	4,530
State Revolving Fund-Loan #12 CW; Original Issue \$5,000,000; 2.25% interest; due in 2042	4,258,870	-	173,315	4,085,555	177,248
State Revolving Fund-Loan #13 CW; Original Issue \$2,500,000; 2.00% interest; due in 2043	1,763,526	265,006	17,984	2,010,548	63,163
State Revolving Fund-Loan #14 CW; Original Issue \$19,819,800; 2.125% interest; due in 2053	-	2,895,446	-	2,895,446	-
Wastewater Revenue Refunding Bonds, 2020C & 2020D \$6,330,000; 0.5-2.00% interest, due in 2031	5,465,000	-	580,000	4,885,000	585,000
Water Revenue Refunding Bonds, 2020A & 2020B \$11,060,000; .85-2.25% interest, due in 2028	8,000,000	-	1,425,000	6,575,000	1,445,000
State Revolving Fund Loan #2018G Landfill Stormwater Issue \$108,000; 2.0% interest; due in 2026	55,880	-	15,571	40,309	15,884
State Revolving Fund Loan #461029-15 Landfill Cell #7 Issue \$1,428,000; 2.0% interest; due in 2043	1,428,000	-	29,196	1,398,804	59,272
Total Loans Payable	21,619,871	3,160,452	2,431,520	22,348,803	2,542,155
Compensated Absences Payable	1,686,140	926,813	802,602	1,810,351	452,587
*Other Post-Employment Benefits (OPEB)	1,498,715	-	1,264,899	233,816	-
Closure/Post Closure Costs	1,300,846	-	-	1,300,846	-
Unamortized Premium on Bonds	235,115	-	37,162	197,953	37,162
TOTAL BUSINESS-TYPE ACTIVITIES				25,891,769	3,031,904

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	Balance Outstanding 12/31/2022	Additions During 2023	Deletions During 2023	Balance Outstanding 12/31/2023	Due Within One Year
LONG-TERM DEBT (continued)					
GOVERNMENTAL ACTIVITIES					
2015 Sales Tax Revenue - Refunding					
Bond - Library Expansion Project; Original Issue \$3,375,000; 0.30-3.25% interest; due in 2026	1,215,000	-	300,000	915,000	305,000
2020 Sales Tax Revenue - Refunding					
Bond - 2012, 2014, 2015B & 2015C \$21,760,000; 2.0-4.00% interest; due in 2034	18,825,000	-	1,585,000	17,240,000	1,675,000
2021 Sales Tax Revenue - Series 2021					
Bond - 10th Ave and City Hall Remodel \$7,370,000; 2.0-3.00% interest; due in 2041	6,945,000	-	295,000	6,650,000	300,000
2022 Sales Tax Revenue - Series 2022					
Bond - Ice Arena \$18,570,000; 3.0-5.00% interest; due in 2051	18,055,000	-	315,000	17,740,000	335,000
2022 Sales Tax Revenue - Series 2022B					
Bond - Street Facility \$7,310,000; 3.375-5.00% interest; due in 2042	7,185,000	-	230,000	6,955,000	240,000
2022 Sales Tax Revenue - Series 2022C					
Bond - Ice Arena \$10,050,000; 1.90-5.00% interest; due in 2051	10,050,000	-	100,000	9,950,000	190,000
Total Sales Revenue Bonds	62,275,000	-	2,825,000	59,450,000	3,045,000
Bond Issued:					
2021 Tax Increment Bonds					
TIF #11 - Project, \$2,000,000; 3.55% interest; due in 2041	1,930,199	-	72,336	1,857,863	74,776
Total Tax Increment Bonds	1,930,199	-	72,336	1,857,863	74,776
Loans Payable:					
State Revolving Fund Loan #6-CW; Original Issue					
\$1,189,145; 2.25% interest; due in 2029	436,389	-	63,065	373,324	64,496
State Revolving Fund Loan #6-NPS; Original Issue					
\$113,985; 2.25% interest; due in 2028	38,157	-	6,287	31,870	6,430
State Revolving Fund-Loan #8-CW; Original Issue					
\$612,877; 2.25% interest; due in 2029	190,000	-	28,638	161,362	29,288
State Revolving Fund-Loan #8-NPS; Original Issue					
\$58,747; 2.25% interest; due in 2029	21,260	-	3,205	18,055	3,277
State Revolving Fund-Loan #10-CW; Original Issue					
\$3,330,000; 3.0% interest; due in 2031	1,339,130	-	140,468	1,198,662	144,730
State Revolving Fund-Loan #11-CW; Original Issue					
\$815,000; 3.0% interest; due in 2032	105,637	-	9,761	95,876	10,057
Total Loans Payable	2,130,573	-	251,424	1,879,149	258,278

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Notes to the Financial Statements

	Balance Outstanding 12/31/2022	Additions During 2023	Deletions During 2023	Balance Outstanding 12/31/2023	Due Within One Year
LONG-TERM DEBT (continued)					
Compensated Absences Payable	2,341,457	1,353,921	1,260,451	2,434,927	608,732
*Other Post-Employment Benefits (OPEB)	1,403,204	-	199,767	1,203,437	-
Unamortized Premium on Bonds	3,752,282	-	201,275	<u>3,551,007</u>	<u>201,276</u>
				<u>7,189,371</u>	<u>810,008</u>
TOTAL GOVERNMENTAL ACTIVITIES				<u>70,376,383</u>	<u>4,188,062</u>
TOTAL OF BONDS AND INSTALLMENT CONTRACTS				<u>\$ 96,268,152</u>	<u>\$ 7,219,966</u>

Compensated absences and OPEB Liability in the Governmental Funds have typically been liquidated from the General, Park & Recreation, Prairie Lakes Wellness Center 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
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	<u>\$ 915,000</u>	<u>\$ 59,151</u>	<u>\$ 974,151</u>	2027	1,450,000	333,400	1,783,400
				2028	1,490,000	289,900	1,779,900
				2029-33	8,135,000	767,700	8,902,700
				2034-38	1,750,000	35,000	1,785,000
				Totals	<u>\$ 17,240,000</u>	<u>\$ 2,751,650</u>	<u>\$ 19,991,650</u>

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2021 Sales Tax Revenue Bonds			
Year	Principal	Interest	Total
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	330,000	122,835	452,835
2029-33	1,765,000	508,475	2,273,475
2034-38	1,995,000	273,765	2,268,765
2039-43	1,305,000	57,860	1,362,860
Totals	\$ 6,650,000	\$ 1,527,075	\$ 8,177,075

2022 Sales Tax Revenue Bonds			
Year	Principal	Interest	Total
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	405,000	611,350	1,016,350
2029-33	2,345,000	2,732,250	5,077,250
2034-38	2,905,000	2,171,600	5,076,600
2039-43	3,535,000	1,542,600	5,077,600
2044-48	4,245,000	828,300	5,073,300
2049-53	2,870,000	173,850	3,043,850
Totals	\$ 17,740,000	\$ 10,688,850	\$ 28,428,850

2022 Sales Tax Revenue Bonds - 2022B			
Year	Principal	Interest	Total
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	290,000	226,019	516,019
2029-33	1,680,000	907,395	2,587,395
2034-38	2,045,000	547,532	2,592,532
2039-43	1,905,000	169,575	2,074,575
Totals	\$ 6,955,000	\$ 2,887,346	\$ 9,842,346

2022 Sales Tax Revenue Bonds - 2022C			
Year	Principal	Interest	Total
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	230,000	368,213	598,213
2029-33	1,320,000	1,655,113	2,975,113
2034-38	1,615,000	1,373,907	2,988,907
2039-43	1,950,000	1,042,100	2,992,100
2044-48	2,360,000	621,600	2,981,600
2049-53	1,655,000	134,200	1,789,200
Totals	\$ 9,950,000	\$ 6,772,984	\$ 16,722,984

Notes to the Financial Statements

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 \$2,028,532 and had not been completed before December 31, 2023. The final amortization schedule was not available for SRF Loan No. 13, the preliminary schedule has been included.

SRF Loan No. 14 was approved for \$19,819,800 for various improvements to the Wastewater collection systems and treatment facilities. The drawdown amount on this loan was \$2,895,446 and had not been completed before December 31, 2023. No amortization schedule was available for SRF Loan No. 14.

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

SRF Loan #5			
Year	Principal	Interest	Total
2024	\$ 146,910	\$ 4,541	\$ 151,451
2025	37,534	328	37,862
Totals	\$ 184,444	\$ 4,869	\$ 189,313

SRF Loan #7			
Year	Principal	Interest	Total
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	49,387	978	50,365
2029-33	12,521	71	12,592
Totals	\$ 248,740	\$ 15,678	\$ 264,418

SRF Loan #7-NPS			
Year	Principal	Interest	Total
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	4,955	98	5,053
2029-33	1,256	7	1,263
Totals	\$ 24,957	\$ 1,573	\$ 26,530

Wastewater System Revenue Bonds Series 2020 - Refunding			
Year	Principal	Interest	Total
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	615,000	40,975	655,975
2029-33	1,895,000	57,350	1,952,350
Totals	\$ 4,885,000	\$ 331,899	\$ 5,216,899

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Notes to the Financial Statements

Water System Revenue Bonds Series 2020 - Refunding

Year	Principal	Interest	Total
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	\$ 6,575,000	\$ 338,468	\$ 6,913,468

Solid Waste Management Loan Series 2018

Year	Principal	Interest	Total
2024	\$ 15,884	\$ 727	\$ 16,611
2025	16,203	408	16,611
2026	8,222	82	8,304
Totals	\$ 40,309	\$ 1,217	\$ 41,526

SRF Loan #12

Year	Principal	Interest	Total
2024	\$ 177,248	\$ 90,436	\$ 267,684
2025	181,270	86,415	267,685
2026	185,383	82,301	267,684
2027	189,589	78,095	267,684
2028	193,891	73,793	267,684
2029-33	1,037,479	300,942	1,338,421
2034-38	1,160,647	177,774	1,338,421
2039-43	960,048	43,767	1,003,815
Totals	\$ 4,085,555	\$ 933,523	\$ 5,019,078

SRF Loan #15

Year	Principal	Interest	Total
2024	\$ 59,272	\$ 27,533	\$ 86,805
2025	60,467	26,339	86,806
2026	61,685	25,121	86,806
2027	62,928	23,877	86,805
2028	64,196	22,610	86,806
2029-33	340,911	93,115	434,026
2034-38	376,673	57,355	434,028
2039-43	372,672	17,951	390,623
Totals	\$ 1,398,804	\$ 293,901	\$ 1,692,705

SRF Loan #13

Year	Principal	Interest	Total
2024	\$ 63,163	\$ 29,572	\$ 92,735
2025	85,701	37,946	123,647
2026	87,428	36,219	123,647
2027	89,189	34,458	123,647
2028	90,987	32,660	123,647
2029-33	483,184	135,050	618,234
2034-38	533,868	84,367	618,235
2039-43	558,957	28,366	587,323
Totals	\$ 1,992,477	\$ 418,638	\$ 2,411,115

Notes to the Financial Statements

State Revolving Fund (SRF) Loan Covenants

SRF Loan documents require that various "funds" and sub-accounts be used within the Sewer or Solid Waste Fund for the purpose of application and proper allocation of revenue of the sewer and landfill and to secure the payment of principal and interest on the SRF Loans. In the past, sewer and solid waste rates were increased in anticipation of the debt service payments on the SRF Loans 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, solid waste 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.

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. SFR 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				SRF Loan #6 NPS			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2024	\$ 64,496	\$ 7,858	\$ 72,354	2024	\$ 6,430	\$ 663	\$ 7,093
2025	65,959	6,395	72,354	2025	6,576	517	7,093
2026	67,456	4,898	72,354	2026	6,726	368	7,094
2027	68,987	3,367	72,354	2027	6,878	215	7,093
2028	70,552	1,802	72,354	2028	5,260	60	5,320
2029-2033	35,874	303	36,177	Totals	\$ 31,870	\$ 1,823	\$ 33,693
Totals	\$ 373,324	\$ 24,623	\$ 397,947				

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SRF Loan #8 CW			
Year	Principal	Interest	Total
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	32,038	635	32,673
2029-2033	8,124	45	8,169
Total	\$ 161,362	\$ 10,170	\$ 171,532

SRF Loan #8 NPS			
Year	Principal	Interest	Total
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	3,585	71	3,656
2029-2033	909	5	914
Total	\$ 18,055	\$ 1,138	\$ 19,193

SRF Loan #10			
Year	Principal	Interest	Total
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	163,109	15,962	179,071
2029-2033	429,751	17,926	447,677
Totals	\$ 1,198,662	\$ 144,373	\$ 1,343,035

SRF Loan #11			
Year	Principal	Interest	Total
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	11,334	1,487	12,821
2029-2033	42,447	2,426	44,873
Totals	\$ 95,876	\$ 13,100	\$ 108,976

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.

2021 TIF #11 Bond			
Year	Principal	Interest	Total
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	86,298	54,863	141,161
2029-33	481,548	224,256	705,804
2034-38	575,618	130,187	705,805
2039-43	398,023	25,460	423,483
Totals	\$ 1,857,863	\$ 683,034	\$ 2,540,897

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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)
2023 Assessed Value		<u>\$2,608,021,308</u>	
Maximum Debt Capacity:	\$ -	\$ 130,401,065	\$ 260,802,131
Existing Bonds:			
SRF Loan No. 5 (Wastewater Revenue Surcharge)	184,444	-	-
SRF Loan No. 6-CW (Sales Tax)	-	373,324	-
SRF Loan No. 6-NPS (Sales Tax)	-	31,870	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	248,740	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	24,957	-	-
SRF Loan No. 8-CW (Sales Tax)	-	161,362	-
SRF Loan No. 8-NPS (Sales Tax)	-	18,055	-
SRF Loan No. 10-CW (Sales Tax)	-	1,198,662	-
SRF Loan No. 11-CW (Sales Tax)	-	95,876	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	4,085,555	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	2,010,548	-	-
SRF Loan No. 14-CW (Wastewater Revenue Surcharge)	2,895,446	-	-
Wastewater Revenue Bonds - 2020 Refunding	4,885,000	-	-
Water Revenue Bonds - 2020 Refunding	6,575,000	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue)	40,309	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste Revenue)	1,398,804	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	915,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	17,240,000	-
2021 Sales Tax Revenue Bonds	-	6,650,000	-
2022 Sales Tax Revenue Bonds	-	17,740,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	6,955,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	9,950,000	-
2021 Tax Increment Bond	-	1,857,863	-
Total Bonded Debt	<u>22,348,803</u>	<u>63,187,012</u>	<u>-</u>
Total Debt	22,348,803	63,187,012	-
Available Debt Capacity	N/A	<u>\$ 67,214,053</u>	<u>\$ 260,802,131</u>

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

Notes to the Financial Statements

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, 2023.

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, 2023, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$573,170.

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, 2023, represents the cumulative amount reported to date based on the use of 38% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,739,601 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. The City expects to close the landfill in the year 2062. 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, 2023, 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.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Closure/Postclosure Liability	\$1,300,846	\$1,300,846	\$1,300,846

Notes to the Financial Statements

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 3rd 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 3rd 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, 2023, 2022, and 2021 were \$1,360,159, \$1,306,514 and \$1,208,844, respectively, equal to the required contributions each year.

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

At June 30, 2023, 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, 2023, and reported by the City as of December 31, 2023, are as follows:

Proportionate share of total pension liability	\$ 127,354,640
Less proportionate share of net position restricted for pension benefits	<u>(127,440,417)</u>
Proportionate share of net pension liability (asset)	<u>\$ (85,777)</u>

At December 31, 2023, the City reported an asset of \$85,777 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 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, 2023 the City's proportion was .878872%, which is an increase of .00858% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$329,848. At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,431,528	\$ -
Changes in assumption.	2,932,761	4,287,044
Net Difference between projected and actual earnings on pension plan investments	571,106	-
Changes in proportion and difference between the City contributions and proportionate share of contributions	11,001	28,997
City contributions subsequent to the measurement date	698,630	-
Total	<u>\$ 6,645,026</u>	<u>\$ 4,316,041</u>

\$698,630 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, 2024. 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:	
2024	\$ 1,168,201
2025	(1,300,785)
2026	1,660,283
2027	120,653
Total	<u>\$ 1,648,352</u>

Notes to the Financial Statements

Actuarial Assumptions

The total pension asset in the June 30, 2023 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 1.91%

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, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

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, 2023 (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>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100%</u>	

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)	\$ 17,582,265	\$ (85,777)	\$ (14,534,874)

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, 2023, 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 \$1,437,253 was measured as of December 31, 2022 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	4.05%
Health Care Cost Trend Rate	6.80% - 3.9% over 53 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 4.05%, 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, 2022.

	<u>Total OPEB Liability</u>
Total OPEB Liability Beginning of Year, Restated	\$2,901,919
Changes for the Year:	
Service Cost	153,970
Interest	54,514
Differences between expected and actual experience	(67,163)
Changes of assumptions	(377,436)
Changes of benefit terms	(1,042,168)
Employer Contributions	(186,383)
Total OPEB Liability End of Year	<u>\$1,437,253</u>

Changes of assumptions reflect a change in the discount rate from 1.84% in 2021 to 4.05% in 2022.

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 (3.05%) or 1% higher (5.05%) than the current discount rate of 4.05%.

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB Liability	\$ 1,581,053	\$ 1,437,253	\$ 1,309,142

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	\$ 1,277,066	\$ 1,437,253	\$ 1,629,325

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2023, the City recognized OPEB reduction of expense of \$1,073,698, At December 31, 2023, 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	\$ 397,051	\$ 381,640
Difference between expected and actual liability	673,979	59,061
City contributions between measurement date and reporting date	93,615	N/A
Total	\$ 1,164,645	\$ 440,701

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

Year Ended December 31,	
2024	\$ 139,292
2025	139,292
2026	136,793
2027	135,546
2028	91,122
Thereafter	21,266
Total	\$ 663,311

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, 2023, 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, 2023, two claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$942. 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

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, 2023

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Tax Revenue				
Property	\$ 4,115,420	\$ 4,115,420	\$ 4,174,545	\$ 59,125
Sales	9,010,000	9,010,000	10,549,895	1,539,895
Other Taxes	310,000	310,000	277,362	(32,638)
Licenses & Permits	398,800	398,800	505,758	106,958
Intergovernmental	1,265,000	1,265,000	1,317,882	52,882
Charges for Goods and Services	1,458,800	1,458,800	2,232,463	773,663
Fines and Forfeits	45,000	45,000	29,302	(15,698)
Interest Revenue	65,000	65,000	581,807	516,807
Rentals	-	-	2,871	2,871
Special Assessments	46,000	46,000	50,738	4,738
Donations/Contributions	20,000	20,000	79,342	59,342
Miscellaneous	101,500	101,500	161,448	59,948
Total Revenues	<u>16,835,520</u>	<u>16,835,520</u>	<u>19,963,413</u>	<u>3,127,893</u>
EXPENDITURES				
General Government				
Legislative	536,800	536,800	199,396	337,404
Financial Administration	1,556,280	1,606,280	1,419,425	186,855
Other	2,316,300	2,473,500	2,065,189	408,311
Public Safety				
Police	4,821,950	5,069,800	4,878,156	191,644
Fire Fighting & Prevention	1,353,475	1,402,725	1,335,945	66,780
Ambulance Service	3,440,550	3,547,050	3,412,333	134,717
Public Works				
Highways, Streets and Roadways	1,913,050	2,324,600	2,060,406	264,194
Snow Removal	565,700	782,436	619,159	163,277
Street Lighting	820,000	835,000	828,310	6,690
Storm Sewer/Flood/Control	57,200	130,700	115,305	15,395
Cemetery	311,410	337,235	293,283	43,952
Health and Welfare				
Mosquito Control	120,850	120,850	93,956	26,894
Animal Control	214,350	214,350	208,203	6,147
Culture and Recreation				
Forestry	521,460	645,360	551,853	93,507
Library	1,185,830	1,185,830	1,094,511	91,319
Conservation and Development				
Building Services	568,850	568,850	525,201	43,649
Total Expenditures	<u>20,304,055</u>	<u>21,781,366</u>	<u>19,700,631</u>	<u>2,080,735</u>
Excess (deficiency) of revenues over expenditures	<u>(3,468,535)</u>	<u>(4,945,846)</u>	<u>262,782</u>	<u>5,208,628</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,420,550	2,420,550	2,650,225	229,675
Transfers (Out)	(2,525,000)	(2,600,000)	(2,600,000)	-
Total other financing sources (uses)	<u>(104,450)</u>	<u>(179,450)</u>	<u>50,225</u>	<u>229,675</u>
Net Change in fund balances	(3,572,985)	(5,125,296)	313,007	5,438,303
Fund Balances - beginning	13,166,067	13,166,067	13,166,067	-
Fund Balances - ending	<u>\$ 9,593,082</u>	<u>\$ 8,040,771</u>	<u>\$ 13,479,074</u>	<u>\$ 5,438,303</u>

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 9,010,000	\$ 9,010,000	\$ 10,549,895	\$ 1,539,895
Intergovernmental	3,024,800	3,024,800	1,394,978	(1,629,822)
Interest Revenue	350,000	350,000	1,467,349	1,117,349
Donations/Contributions	-	-	950,715	950,715
Miscellaneous	50,000	50,000	121,656	71,656
Total Revenues	<u>12,434,800</u>	<u>12,434,800</u>	<u>14,484,593</u>	<u>2,049,793</u>
EXPENDITURES				
Public Safety				
Public Safety Improvements	65,000	65,000	-	65,000
Public Safety Equipment/Vehicls	328,000	328,000	114,370	213,630
Public Works				
Public Works Equipment/Vehicles	-	88,000	87,997	3
Street System Improvements	4,445,000	5,966,440	4,598,362	1,368,078
Storm Sewer/Flood Projects	2,350,300	2,425,300	515,309	1,909,991
Culture and Recreation				
Recreational Facility Improvements	2,338,000	4,688,550	1,450,604	3,237,946
Conservation and Development				
Industrial Park & Other Infrastructure	302,400	426,080	385,325	40,755
Debt Service	<u>5,366,470</u>	<u>5,368,970</u>	<u>5,374,466</u>	<u>(5,496)</u>
Total Expenditures	<u>15,195,170</u>	<u>19,356,340</u>	<u>12,526,433</u>	<u>6,829,907</u>
Excess (deficiency) of revenues over expenditures	<u>(2,760,370)</u>	<u>(6,921,540)</u>	<u>1,958,160</u>	<u>8,879,700</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(300,000)</u>	<u>(467,500)</u>	<u>(467,361)</u>	<u>139</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(467,500)</u>	<u>(467,361)</u>	<u>139</u>
Net Change in fund balances	<u>(3,060,370)</u>	<u>(7,389,040)</u>	<u>1,490,799</u>	<u>8,879,839</u>
Fund Balances - beginning	<u>24,811,673</u>	<u>24,811,673</u>	<u>24,811,673</u>	<u>-</u>
Fund Balances - ending	<u>\$ 21,751,303</u>	<u>\$ 17,422,633</u>	<u>\$ 26,302,472</u>	<u>\$ 8,879,839</u>

Required Supplementary Information
Notes to Required Supplementary Information – Budgetary Reporting

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 and Capital Improvement Fund. 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.

Required Supplementary Information
Notes to Required Supplementary Information – Budgetary Reporting

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, 2023.

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.

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

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

	2018	2019	2020	2021	2022	2023
Service Cost	\$ 56,742	\$ 65,202	\$ 63,076	\$ 85,138	\$ 100,697	\$ 153,970
Interest	48,505	43,994	47,636	54,529	42,236	54,514
Differences Between Expected and Actual Experience	-	-	682,830	-	413,831	(67,163)
Changes of Assumptions	49,791	(41,154)	1,906	109,071	408,282	(377,436)
Changes of Benefit Terms	-	-	-	-	-	(1,042,168)
Employer Contributions	(107,794)	(107,184)	(114,885)	(122,357)	(148,428)	(186,383)
Benefit Payments	-	-	-	-	-	-
Net Change in Total OPEB Liability	47,244	(39,142)	680,563	126,381	816,618	(1,464,666)
Total OPEB Liability Beginning of Year, as Restated	1,270,255	1,317,499	1,278,357	1,958,920	2,085,301	2,901,919
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>	<u>\$ 1,437,253</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, 2023	4.05%
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	2023
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%	0.878872%
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	\$ 85,777
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	\$ 20,732,465
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%	0.41%
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%	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.

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

Changes from Prior Valuation

The June 30, 2023, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

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

Benefit Provision Changes

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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, 2022 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

Required Supplementary Information - Schedule of Contributions

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$ 1,360,159
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	1,360,159
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	\$ 21,348,506
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%	6.37%

Required Supplementary Information – Infrastructure Assets Reported Using the Modified Approach

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
December 31, 2023	9.4

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
December 31, 2023	\$240,620	\$240,620



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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		
REVENUES				
Interest Revenue	\$ 10,000	\$ 10,000	\$ 1,402,896	\$ 1,392,896
Total Revenues	10,000	10,000	1,402,896	1,392,896
EXPENDITURES				
Culture and Recreation	20,000,000	31,899,030	26,057,522	5,841,508
Total Expenditures	20,000,000	31,899,030	26,057,522	5,841,508
Excess (deficiency) of revenues over expenditures	(19,990,000)	(31,889,030)	(24,654,626)	7,234,404
Net Change in fund balances	(19,990,000)	(31,889,030)	(24,654,626)	7,234,404
Fund Balances - beginning	-	-	30,558,212	-
Fund Balances - ending	\$ (19,990,000)	\$ (31,889,030)	\$ 5,903,586	\$ 7,234,404

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Combining Balance Sheet - Nonmajor Governmental Funds

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 5,450,146	\$ -	\$ 10,473,822	\$ 15,923,968
Property Taxes Receivable	3,607	-	-	3,607
Sales Tax Receivable	193,990	-	-	193,990
Accounts Receivable	332,980	-	-	332,980
Loans Receivable	1,798,447	-	-	1,798,447
Due From Other Governments	13,631	-	-	13,631
Inventory	85,411	-	-	85,411
Restricted Assets:				
Pooled Cash and Investments	3,058	-	-	3,058
Total assets	<u>7,881,270</u>	<u>-</u>	<u>10,473,822</u>	<u>18,355,092</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	346,990	-	189,445	536,435
Advance From Other Fund	6,420,758	-	-	6,420,758
Total liabilities	<u>6,767,748</u>	<u>-</u>	<u>189,445</u>	<u>6,957,193</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	324,861	-	-	324,861
Total Deffered Inflows of Resources	<u>324,861</u>	<u>-</u>	<u>-</u>	<u>324,861</u>
FUND BALANCES				
Nonspendable for:				
Inventory	85,411	-	-	85,411
Restricted for:				
Capital Projects	-	-	10,284,377	10,284,377
BBB Sales Tax	1,119,871	-	-	1,119,871
Event Center	3,058	-	-	3,058
E-911 Services	929,898	-	-	929,898
Library	180,011	-	-	180,011
Casualty Reserve	32,848	-	-	32,848
Assigned for:				
Park Development	78,804	-	-	78,804
Golf Course	8,512	-	-	8,512
Zoo Improvements	2,393	-	-	2,393
Ice Arena	1,000,000	-	-	1,000,000
Other Purposes	1,969,235	-	-	1,969,235
Unassigned	(4,621,380)	-	-	(4,621,380)
Total fund balances	<u>788,661</u>	<u>-</u>	<u>10,284,377</u>	<u>11,073,038</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,881,270</u>	<u>-</u>	<u>\$ 10,473,822</u>	<u>\$ 18,355,092</u>

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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
REVENUES				
Tax Revenue				
Property	\$ 928,230	\$ 89	\$ -	\$ 928,319
Sales	1,222,210	-	-	1,222,210
Intergovernmental	73,700	-	-	73,700
Charges for Goods and Services	4,105,110	-	-	4,105,110
Fines and Forfeits	11,462	-	-	11,462
Interest Revenue	273,505	-	546,626	820,131
Rentals	382,368	-	-	382,368
Donations/Contributions	149,423	-	-	149,423
Miscellaneous	158,170	-	-	158,170
Total revenues	<u>7,304,178</u>	<u>89</u>	<u>546,626</u>	<u>7,850,893</u>
EXPENDITURES				
Current:				
General Government	203,328	-	82	203,410
Public Safety	1,185,491	-	-	1,185,491
Public Works	-	-	634,355	634,355
Culture and Recreation	7,286,912	-	-	7,286,912
Conservation and Development	1,101,772	-	-	1,101,772
Debt Service	463,737	-	-	463,737
Total expenditures	<u>10,241,240</u>	<u>-</u>	<u>634,437</u>	<u>10,875,677</u>
Excess (deficiency) of revenues over expenditures	<u>(2,937,062)</u>	<u>89</u>	<u>(87,811)</u>	<u>(3,024,784)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	18,360	-	-	18,360
Transfers In	3,628,805	-	-	3,628,805
Transfers Out	(640,085)	(151,034)	-	(791,119)
Total other financing sources (uses)	<u>3,007,080</u>	<u>(151,034)</u>	<u>-</u>	<u>2,856,046</u>
Net Change in Fund Balances	<u>70,018</u>	<u>(150,945)</u>	<u>(87,811)</u>	<u>(168,738)</u>
Fund balances -- beginning	718,643	150,945	10,372,188	11,241,776
Fund balances -- ending	<u>\$ 788,661</u>	<u>-</u>	<u>\$ 10,284,377</u>	<u>\$ 11,073,038</u>

Combining Statements

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 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 5 Fund – to account 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 1st Avenue North Extension area and to pay for road construction costs.

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.

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.

Combining Statements

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.

Tax Increment Financing 12 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #12. This TID was created to capture the incremental tax revenue generated by development of Parkside Place and to pay for site improvements and public use areas.

Tax Increment Financing 13 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #13. This TID was created to capture the incremental tax revenue generated by development of Generations on 1st and to pay for site improvements and public use areas.

Tax Increment Financing 14 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #14. This TID was created to capture the incremental tax revenue generated by development of Stony Point and to pay for site improvements and public use areas.

Tax Increment Financing 15 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #15. This TID was created to capture the incremental tax revenue generated by development of the Plains and to pay for site improvements and public use areas.

Tax Increment Financing 16 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #16. This TID was created to capture the incremental tax revenue generated by development of the Ruins and to pay for site improvements and public use areas.

Tax Increment Financing 17 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #17. This TID was created to capture the incremental tax revenue generated by development of Prairie Haven 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
ASSETS							
Current assets:							
Pooled Cash and Investments	\$ 3,040,381	\$ 1,059,589	\$ 161,835	\$ 32,848	\$ 929,069	\$ 182,607	\$ -
Property Tax Receivable	-	-	-	-	-	-	-
Sales Tax Receivable	-	193,990	-	-	-	-	-
Accounts Receivable	-	-	231,965	-	101,015	-	-
Loans Receivable	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	-	13,631	-	-
Inventory	85,411	-	-	-	-	-	-
Restricted Cash	-	3,058	-	-	-	-	-
Total assets	3,125,792	1,256,637	393,800	32,848	1,043,715	182,607	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	179,749	36,040	80,095	-	5,624	2,596	-
Advance From Other Fund	-	-	-	-	-	-	-
Total liabilities	179,749	36,040	80,095	-	5,624	2,596	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	-	97,668	119,000	-	108,193	-	-
Total Deferred Inflows of Resources	-	97,668	119,000	-	108,193	-	-
FUND BALANCES							
Nonspendable for:							
Inventory	85,411	-	-	-	-	-	-
Restricted for:							
BBB Sales Tax	-	1,119,871	-	-	-	-	-
Event Center	-	3,058	-	-	-	-	-
E-911 Services	-	-	-	-	929,898	-	-
Library	-	-	-	-	-	180,011	-
Casualty Reserve	-	-	-	32,848	-	-	-
Assigned for:							
Park Development	78,804	-	-	-	-	-	-
Golf Course	8,512	-	-	-	-	-	-
Zoo Improvements	2,393	-	-	-	-	-	-
Ice Arena	1,000,000	-	-	-	-	-	-
Other Purposes	1,770,923	-	194,705	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	2,946,043	1,122,929	194,705	32,848	929,898	180,011	-
Total liabilities, deferred inflows of resources and fund balance	\$ 3,125,792	\$ 1,256,637	\$ 393,800	\$ 32,848	\$ 1,043,715	\$ 182,607	\$ -

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Combining Balance Sheet - Nonmajor Special Revenue Funds (continued)

	Tax Increment Financing 13 Fund	Tax Increment Financing 14 Fund	Tax Increment Financing 15 Fund	Tax Increment Financing 16 Fund	Tax Increment Financing 17 Fund	Total
ASSETS						
Current assets:						
Pooled Cash and Investments	\$ -	\$ 35,266	\$ 7,620	\$ -	\$ -	5,450,146
Property Tax Receivable	-	3,157	-	-	-	3,607
Sales Tax Receivable	-	-	-	-	-	193,990
Accounts Receivable	-	-	-	-	-	332,980
Loans Receivable	-	-	-	-	-	1,798,447
Due From Other Governments	-	-	-	-	-	13,631
Inventory	-	-	-	-	-	85,411
Restricted Cash	-	-	-	-	-	3,058
Total assets	-	38,423	7,620	-	-	7,881,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	-	35,266	7,620	-	-	346,990
Advance From Other Fund	-	-	-	-	-	6,420,758
Total liabilities	-	35,266	7,620	-	-	6,767,748
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	-	324,861
Total Deferred Inflows of Resources	-	-	-	-	-	324,861
FUND BALANCES						
Nonspendable for:						
Inventory	-	-	-	-	-	85,411
Restricted for:						
BBB Sales Tax	-	-	-	-	-	1,119,871
Event Center	-	-	-	-	-	3,058
E-911 Services	-	-	-	-	-	929,898
Library	-	-	-	-	-	180,011
Casualty Reserve	-	-	-	-	-	32,848
Assigned for:						
Park Development	-	-	-	-	-	78,804
Golf Course	-	-	-	-	-	8,512
Zoo Improvements	-	-	-	-	-	2,393
-	-	-	-	-	-	1,000,000
Other Purposes	-	3,157	-	-	-	1,969,235
Unassigned	-	-	-	-	-	(4,621,380)
Total fund balances	-	3,157	-	-	-	788,661
Total liabilities, deferred inflows of resources and fund balance	\$ -	\$ 38,423	\$ 7,620	\$ -	\$ -	7,881,270



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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
REVENUES							
Tax Revenue							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	1,222,210	-	-	-	-	-
Intergovernmental	-	-	-	-	73,700	-	-
Charges for Goods and Services	1,933,256	-	1,531,057	-	640,797	-	-
Fines and Forfeits	-	-	-	-	-	11,462	-
Interest Revenue	149,888	58,291	9,170	1,700	45,656	8,800	-
Rentals	364,766	-	17,602	-	-	-	-
Donations/ Contributions	61,567	-	16,264	-	56,708	14,884	-
Miscellaneous	31,322	-	105,151	-	1,810	19,887	-
Total revenues	2,540,799	1,280,501	1,679,244	1,700	818,671	55,033	-
EXPENDITURES							
Current:							
General Government	-	203,328	-	-	-	-	-
Public Safety	-	-	-	-	1,185,491	-	-
Culture and Recreation	5,439,692	-	1,810,300	-	-	36,920	-
Conservation and Development	-	487,809	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Total expenditures	5,439,692	691,137	1,810,300	-	1,185,491	36,920	-
Excess (deficiency) of revenues over expenditures	(2,898,893)	589,364	(131,056)	1,700	(366,820)	18,113	-
OTHER FINANCING SOURCES (USES)							
Sale of Municipal Property	18,360	-	-	-	-	-	-
Transfers In	3,011,444	-	194,000	-	375,000	-	-
Transfers Out	-	(500,000)	-	-	-	-	(61,444)
Total other financing sources (uses)	3,029,804	(500,000)	194,000	-	375,000	-	(61,444)
Net change in fund balances	130,911	89,364	62,944	1,700	8,180	18,113	(61,444)
Fund balances -- beginning	2,815,132	1,033,565	131,761	31,148	921,718	161,898	61,444
Fund balances -- ending	\$ 2,946,043	\$ 1,122,929	\$ 194,705	\$ 32,848	\$ 929,898	\$ 180,011	\$ -

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

Big Sioux River Project Fund	Tax Increment Financing 2 Fund	Tax Increment Financing 5 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	Tax Increment Financing 12 Fund
\$ -	\$ 67,309	\$ 244,763	\$ 351,388	\$ 43,273	\$ 32,331	\$ 900	\$ 611	\$ 38,140
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	67,309	244,763	351,388	43,273	32,331	900	611	38,140
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	2,473	351,388	43,273	32,331	-	-	38,140
-	102,158	219,968	-	-	-	450	141,161	-
-	102,158	222,441	351,388	43,273	32,331	450	141,161	38,140
-	(34,849)	22,322	-	-	-	450	(140,550)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	48,361	-
(78,641)	-	-	-	-	-	-	-	-
(78,641)	-	-	-	-	-	-	48,361	-
(78,641)	(34,849)	22,322	-	-	-	450	(92,189)	-
78,641	(1,449,635)	(3,159,218)	-	-	-	-	92,189	-
\$ -	\$ (1,484,484)	\$ (3,136,896)	\$ -	\$ -	\$ -	\$ 450	\$ -	\$ -

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

	Tax Increment Financing 13 Fund	Tax Increment Financing 14 Fund	Tax Increment Financing 15 Fund	Tax Increment Financing 16 Fund	Tax Increment Financing 17 Fund	Total
REVENUES						
Tax Revenue						
Property	\$ 45,653	\$ 95,707	\$ 7,620	\$ 532	\$ 3	\$ 928,230
Sales	-	-	-	-	-	1,222,210
Intergovernmental	-	-	-	-	-	73,700
Charges for Goods and Services	-	-	-	-	-	4,105,110
Fines and Forfeits	-	-	-	-	-	11,462
Interest Revenue	-	-	-	-	-	273,505
Rentals	-	-	-	-	-	382,368
Donations/ Contributions	-	-	-	-	-	149,423
Miscellaneous	-	-	-	-	-	158,170
Total revenues	45,653	95,707	7,620	532	3	7,304,178
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	203,328
Public Safety	-	-	-	-	-	1,185,491
Culture and Recreation	-	-	-	-	-	7,286,912
Conservation and Development	45,653	92,550	7,620	532	3	1,101,772
Debt Service	-	-	-	-	-	463,737
Total expenditures	45,653	92,550	7,620	532	3	10,241,240
Excess (deficiency) of revenues over expenditures	-	3,157	-	-	-	(2,937,062)
OTHER FINANCING SOURCES (USES)						
Sale of Municipal Property	-	-	-	-	-	18,360
Transfers In	-	-	-	-	-	3,628,805
Transfers Out	-	-	-	-	-	(640,085)
Total other financing sources (uses)	-	-	-	-	-	3,007,080
Net change in fund balances	-	3,157	-	-	-	70,018
Fund balances -- beginning	-	-	-	-	-	718,643
Fund balances -- ending	\$ -	\$ 3,157	\$ -	\$ -	\$ -	\$ 788,661

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Goods and Services	\$ 1,773,400	\$ 1,773,400	\$ 1,933,256	\$ 159,856
Interest Revenue	15,000	15,000	149,888	134,888
Rentals	146,300	146,300	364,766	218,466
Donations/Contributions	46,000	46,000	61,567	15,567
Miscellaneous	26,000	26,000	31,322	5,322
Total revenues	<u>2,006,700</u>	<u>2,006,700</u>	<u>2,540,799</u>	<u>534,099</u>
EXPENDITURES				
Culture and Recreation	5,709,000	6,057,500	5,439,692	617,808
Total expenditures	<u>5,709,000</u>	<u>6,057,500</u>	<u>5,439,692</u>	<u>617,808</u>
Excess (deficiency) of revenues over expenditures	<u>(3,702,300)</u>	<u>(4,050,800)</u>	<u>(2,898,893)</u>	<u>1,151,907</u>
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	-	-	18,360	18,360
Transfers In	2,950,000	2,950,000	3,011,444	61,444
Total other financing sources (uses)	<u>2,950,000</u>	<u>2,950,000</u>	<u>3,029,804</u>	<u>79,804</u>
Net change in fund balances	<u>(752,300)</u>	<u>(1,100,800)</u>	<u>130,911</u>	<u>1,231,711</u>
Fund balances -- beginning	2,815,132	2,815,132	2,815,132	-
Fund balances -- ending	<u>\$ 2,062,832</u>	<u>\$ 1,714,332</u>	<u>\$ 2,946,043</u>	<u>\$ 1,231,711</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue				
Sales	\$ 1,009,000	\$ 1,009,000	\$ 1,222,210	\$ 213,210
Interest Revenue	1,500	1,500	58,291	56,791
Total revenues	<u>1,010,500</u>	<u>1,010,500</u>	<u>1,280,501</u>	<u>270,001</u>
EXPENDITURES				
General Government	216,850	231,850	203,328	28,522
Conservation and Development	475,000	512,200	487,809	24,391
Total expenditures	<u>691,850</u>	<u>744,050</u>	<u>691,137</u>	<u>52,913</u>
Excess (deficiency) of revenues over expenditures	<u>318,650</u>	<u>266,450</u>	<u>589,364</u>	<u>322,914</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balances	(181,350)	(233,550)	89,364	322,914
Fund balances -- beginning	1,033,565	1,033,565	1,033,565	-
Fund balances -- ending	<u>\$ 852,215</u>	<u>\$ 800,015</u>	<u>\$ 1,122,929</u>	<u>\$ 322,914</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Goods and Services	\$ 1,669,000	\$ 1,669,000	\$ 1,531,057	\$ (137,943)
Interest Revenue	3,000	3,000	9,170	6,170
Rentals	14,000	14,000	17,602	3,602
Donations/Contributions	-	-	16,264	16,264
Miscellaneous	-	-	105,151	105,151
Total revenues	<u>1,686,000</u>	<u>1,686,000</u>	<u>1,679,244</u>	<u>(6,756)</u>
EXPENDITURES				
Culture and Recreation	1,751,535	1,939,935	1,810,300	129,635
Total expenditures	<u>1,751,535</u>	<u>1,939,935</u>	<u>1,810,300</u>	<u>129,635</u>
Excess (deficiency) of revenues over expenditures	<u>(65,535)</u>	<u>(253,935)</u>	<u>(131,056)</u>	<u>122,879</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	194,000	194,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>194,000</u>	<u>194,000</u>
Extraordinary Items	-	-	-	-
Net change in fund balances	(65,535)	(253,935)	62,944	316,879
Fund balances -- beginning	131,761	131,761	131,761	-
Fund balances -- ending	<u>\$ 66,226</u>	<u>\$ (122,174)</u>	<u>\$ 194,705</u>	<u>\$ 316,879</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 1,700	\$ 1,700
Total revenues	-	-	1,700	1,700
EXPENDITURES				
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)	1,700	16,700
Net change in fund balances	(15,000)	(15,000)	1,700	16,700
Fund balances -- beginning	31,148	31,148	31,148	-
Fund balances -- ending	\$ 16,148	\$ 16,148	\$ 32,848	\$ 16,700

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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		
REVENUES				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 73,700	\$ 28,700
Charges for Goods and Services	633,000	633,000	640,797	7,797
Interest Revenue	3,500	3,500	45,656	42,156
Donations/Contributions	62,450	62,450	56,708	(5,742)
Miscellaneous	2,500	2,500	1,810	(690)
Total revenues	746,450	746,450	818,671	72,221
EXPENDITURES				
Public Safety	1,285,700	1,285,700	1,185,491	100,209
Total expenditures	1,285,700	1,285,700	1,185,491	100,209
Excess (deficiency) of revenues over expenditures	(539,250)	(539,250)	(366,820)	172,430
OTHER FINANCING SOURCES (USES)				
Transfers In	375,000	375,000	375,000	-
Total other financing sources (uses)	375,000	375,000	375,000	-
Net change in fund balances	(164,250)	(164,250)	8,180	172,430
Fund balances -- beginning	921,718	921,718	921,718	-
Fund balances -- ending	\$ 757,468	\$ 757,468	\$ 929,898	\$ 172,430

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeits	\$ 8,000	\$ 8,000	\$ 11,462	\$ 3,462
Interest Revenue	2,000	2,000	8,800	6,800
Donations/Contributions	7,000	7,000	14,884	7,884
Miscellaneous	10,000	10,000	19,887	9,887
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>55,033</u>	<u>28,033</u>
EXPENDITURES				
Culture and Recreation	23,950	51,450	36,920	14,530
Total expenditures	<u>23,950</u>	<u>51,450</u>	<u>36,920</u>	<u>14,530</u>
Excess (deficiency) of revenues over expenditures	<u>3,050</u>	<u>(24,450)</u>	<u>18,113</u>	<u>42,563</u>
Net change in fund balances	3,050	(24,450)	18,113	42,563
Fund balances -- beginning	161,898	161,898	161,898	-
Fund balances -- ending	<u>\$ 164,948</u>	<u>\$ 137,448</u>	<u>\$ 180,011</u>	<u>\$ 42,563</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(61,500)	(61,444)	56
Total other financing sources (uses)	-	(61,500)	(61,444)	56
Net change in fund balances	-	(61,500)	(61,444)	56
Fund balances -- beginning	61,444	61,444	61,444	-
Fund balances -- ending	<u>\$ 61,444</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ 56</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Conservation and Development	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over expenditures	(1,000)	(1,000)	-	1,000
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	(79,000)	(78,641)	359
Total other financing sources (uses)	-	(79,000)	(78,641)	359
Net change in fund balances	(1,000)	(80,000)	(78,641)	1,359
Fund balances -- beginning	78,641	78,641	78,641	-
Fund balances -- ending	\$ 77,641	\$ (1,359)	\$ -	\$ 1,359

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 68,000	\$ 68,000	\$ 67,309	\$ (691)
Interest Revenue	50	50	-	(50)
Total Revenues	68,050	68,050	67,309	(741)
EXPENDITURES				
Debt Service	103,000	103,000	102,158	842
Total Expenditures	103,000	103,000	102,158	842
Excess (deficiency) of revenues over expenditures	(34,950)	(34,950)	(34,849)	101
Net Change in fund balances	(34,950)	(34,950)	(34,849)	101
Fund Balances -- beginning	(1,449,635)	(1,449,635)	(1,449,635)	-
Fund Balances -- ending	\$ (1,484,585)	\$ (1,484,585)	\$ (1,484,484)	\$ 101

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 242,000	\$ 242,000	\$ 244,763	\$ 2,763
Interest Revenue	100	100	-	(100)
Total revenues	242,100	242,100	244,763	2,663
EXPENDITURES				
Conservation and Development	-	-	2,473	(2,473)
Debt Service	223,000	223,000	219,968	3,032
Total expenditures	223,000	223,000	222,441	559
Excess (deficiency) of revenues over expenditures	19,100	19,100	22,322	3,222
Net change in fund balances	19,100	19,100	22,322	3,222
Fund balances -- beginning	(3,159,218)	(3,159,218)	(3,159,218)	-
Fund balances -- ending	\$ (3,140,118)	\$ (3,140,118)	\$ (3,136,896)	\$ 3,222

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 359,000	\$ 359,000	\$ 351,388	\$ (7,612)
Total revenues	359,000	359,000	351,388	(7,612)
EXPENDITURES				
Conservation and Development	359,000	359,000	351,388	7,612
Total expenditures	359,000	359,000	351,388	7,612
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 8 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 44,000	\$ 44,000	\$ 43,273	\$ (727)
Total revenues	44,000	44,000	43,273	(727)
EXPENDITURES				
Conservation and Development	44,000	44,000	43,273	727
Total expenditures	44,000	44,000	43,273	727
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 9 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 33,000	\$ 33,000	\$ 32,331	\$ (669)
Total revenues	33,000	33,000	32,331	(669)
EXPENDITURES				
Conservation and Development	33,000	33,000	32,331	669
Total expenditures	33,000	33,000	32,331	669
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 10 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 37,000	\$ 37,000	\$ 900	\$ (36,100)
Total revenues	37,000	37,000	900	(36,100)
EXPENDITURES				
Debt Service	37,000	37,000	450	36,550
Total expenditures	37,000	37,000	450	36,550
Excess (deficiency) of revenues over expenditures	-	-	450	450
Net change in fund balances	-	-	450	450
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ 450	\$ 450

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 600	\$ 600	\$ 611	\$ 11
Total revenues	600	600	611	11
EXPENDITURES				
Debt Service	142,000	142,000	141,161	839
Total expenditures	142,000	142,000	141,161	839
Excess (deficiency) of revenues over expenditures	(141,400)	(141,400)	(140,550)	850
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	48,361	48,361
Net change in fund balances	(141,400)	(141,400)	(92,189)	49,211
Fund balances -- beginning	92,189	92,189	92,189	-
Fund balances -- ending	\$ (49,211)	\$ (49,211)	\$ -	\$ 49,211

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Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual -Tax Increment Financing 12 Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Tax Revenue	\$ 38,000	\$ 38,000	\$ 38,140	\$ 140
Total revenues	38,000	38,000	38,140	140
EXPENDITURES				
Conservation and Development	38,000	38,000	38,140	(140)
Total expenditures	38,000	38,000	38,140	(140)
Excess (deficiency) of revenues over expenditures	-	-	-	-
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 13 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 45,500	\$ 45,500	\$ 45,653	\$ 153
Total revenues	45,500	45,500	45,653	153
EXPENDITURES				
Conservation and Development	45,500	47,500	45,653	1,847
Total expenditures	45,500	47,500	45,653	1,847
Excess (deficiency) of revenues over expenditures	-	(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 14 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 93,000	\$ 93,000	\$ 95,707	\$ 2,707
Total revenues	93,000	93,000	95,707	2,707
EXPENDITURES				
Conservation and Development	93,000	115,000	92,550	22,450
Total expenditures	93,000	115,000	92,550	22,450
Excess (deficiency) of revenues over expenditures	-	(22,000)	3,157	25,157
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ (22,000)	\$ 3,157	\$ 25,157

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Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual -Tax Increment Financing 15 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 8,000	\$ 8,000	\$ 7,620	\$ (380)
Total revenues	8,000	8,000	7,620	(380)
EXPENDITURES				
Conservation and Development	8,000	8,000	7,620	380
Total expenditures	8,000	8,000	7,620	380
Excess (deficiency) of revenues over expenditures	-	-	-	-
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 16 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 1,000	\$ 1,000	\$ 532	\$ (468)
Total revenues	1,000	1,000	532	(468)
EXPENDITURES				
Conservation and Development	1,000	1,000	532	468
Total expenditures	1,000	1,000	532	468
Excess (deficiency) of revenues over expenditures	-	-	-	-
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 17 Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax Revenue	\$ 10	\$ 10	\$ 3	\$ (7)
Total revenues	10	10	3	(7)
EXPENDITURES				
Conservation and Development	10	10	3	7
Total expenditures	10	10	3	7
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ -

Combining Statements

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

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

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

	<u>GO Bonds</u>
REVENUES	
Tax Revenue	
Property	\$ 89
Total revenues	<u>89</u>
OTHER FINANCING SOURCES (USES)	
Transfer Out	(151,034)
Total other financing sources (uses)	<u>(151,034)</u>
Net Change in Fund Balance	(150,945)
Fund balances -- beginning	<u>150,945</u>
Fund balances -- ending	<u><u>-</u></u>

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 89	\$ 89
Total revenues	-	-	89	89
Excess (deficiency) of revenues over expenditures	-	-	89	89
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	(150,200)	(151,034)	(834)
Total other financing sources (uses)	-	(150,200)	(151,034)	(834)
Net change in fund balances	-	(150,200)	(150,945)	(745)
Fund balances -- beginning	150,945	150,945	150,945	-
Fund balances -- ending	\$ 150,945	\$ 745	\$ -	\$ (745)

Combining Statements

Nonmajor Capital Projects Funds

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, 10th Ave. NE street reconstruction and land purchase and construction of a new Street Facility.

Combining Balance Sheet - Nonmajor Capital Projects Funds

	<u>Capital Projects Fund (505)</u>	<u>Total Capital Projects Funds</u>
ASSETS		
Current assets:		
Pooled Cash and Investments	\$ 10,473,822	\$ 10,473,822
Total assets	<u>10,473,822</u>	<u>10,473,822</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	189,445	189,445
Total Liabilities	<u>189,445</u>	<u>189,445</u>
FUND BALANCES		
Restricted for:		
Capital Projects	10,284,377	10,284,377
Total fund balances	<u>10,284,377</u>	<u>10,284,377</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 10,473,822</u>	<u>\$ 10,473,822</u>

City of Watertown
 Annual Comprehensive Financial Report
 Year Ended December 31, 2023

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

	<u>Capital Projects Fund (505)</u>	<u>Total Capital Projects Funds</u>
REVENUES		
Interest Revenue	\$ 546,626	\$ 546,626
Total revenues	<u>546,626</u>	<u>546,626</u>
EXPENDITURES		
General Government	82	82
Public Works	634,355	634,355
Total expenditures	<u>634,437</u>	<u>634,437</u>
Excess (deficiency) of revenues over expenditures	(87,811)	(87,811)
Fund balances -- beginning	<u>10,372,188</u>	<u>10,372,188</u>
Fund balances -- ending	<u>\$ 10,284,377</u>	<u>\$ 10,284,377</u>

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

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		
REVENUES				
Interest Revenue	\$ 10,000	\$ 10,000	\$ 546,626	\$ 536,626
Total Revenues	10,000	10,000	546,626	536,626
EXPENDITURES				
General Government	-	3,196,760	82	3,196,678
Public Works	-	6,470,000	634,355	5,835,645
Total Expenditures	-	9,666,760	634,437	9,032,323
Excess (deficiency) of revenues over expenditures	10,000	(9,656,760)	(87,811)	9,568,949
Net Change in fund balances	10,000	(9,656,760)	(87,811)	9,568,949
Fund Balances - beginning	10,372,188	10,372,188	10,372,188	-
Fund Balances - ending	\$ 10,382,188	\$ 715,428	\$ 10,284,377	\$ 9,568,949

Combining Statements

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.

City of Watertown
Annual Comprehensive Financial Report
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Combining Statement of Net Position - Nonmajor Proprietary Funds

	<u>Enterprise Funds</u>	
	<u>Solid Waste Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Pooled Cash and Investments	\$ 3,480,263	\$ 3,480,263
Accounts Receivable	328,560	328,560
Inventory	28,921	28,921
Net Pension Asset	3,578	3,578
Restricted Cash	1,300,846	1,300,846
Total Current assets:	<u>5,142,168</u>	<u>5,142,168</u>
Noncurrent assets:		
Land	685,743	685,743
Buildings and Structures	993,472	993,472
Furniture Equipment Machinery	6,899,970	6,899,970
Improvements Other Than Buildings	8,544,155	8,544,155
Accumulated Depreciation	(6,237,284)	(6,237,284)
Total Noncurrent assets:	<u>10,886,056</u>	<u>10,886,056</u>
Total assets	<u>16,028,224</u>	<u>16,028,224</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	276,198	276,198
OPEB Related Deferred Outflows	44,773	44,773
Total Deferred Outflows of Resources	<u>320,971</u>	<u>320,971</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	1,206,497	1,206,497
Loans Payable	75,156	75,156
Accrued interest payable	6,994	6,994
Accrued Vacation and Sick Leave	38,836	38,836
Total Current liabilities:	<u>1,327,483</u>	<u>1,327,483</u>
Noncurrent liabilities:		
Accrued Vacation and Sick Leave	116,506	116,506
Net OPEB Liability	102,834	102,834
Closure/Post Closure Liability	1,300,846	1,300,846
Loans Payable	1,363,957	1,363,957
Total Noncurrent liabilities:	<u>2,884,143</u>	<u>2,884,143</u>
Total liabilities	<u>4,211,626</u>	<u>4,211,626</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	178,924	178,924
OPEB Related Deferred Inflows	24,478	24,478
Total Deferred Inflows of Resources	<u>203,402</u>	<u>203,402</u>
NET POSITION		
Net Investment in Capital Assets	9,446,943	9,446,943
Restricted for SDRS Pension Purposes	100,852	100,852
Unrestricted	2,386,372	2,386,372
Total net position	<u>\$ 11,934,167</u>	<u>\$ 11,934,167</u>

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

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

	<u>Enterprise Funds</u>	
	<u>Solid Waste Fund</u>	<u>Total</u>
OPERATING REVENUES		
Charges for Goods and Services	\$ 3,921,298	\$ 3,921,298
Miscellaneous	19,132	19,132
Total Operating revenues	<u>3,940,430</u>	<u>3,940,430</u>
OPERATING EXPENSES		
Personal Services	1,342,428	1,342,428
Supplies	309,700	309,700
Utilities	47,116	47,116
Other Charges	722,912	722,912
Depreciation	503,176	503,176
Total operating expenses	<u>2,925,332</u>	<u>2,925,332</u>
Operating Income (Loss)	<u>1,015,098</u>	<u>1,015,098</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue	3,666	3,666
Interest Revenue	204,261	204,261
Interest Expense	(22,720)	(22,720)
Contributions	(80,000)	(80,000)
Gain(Loss) on Disposition of Capital Assets	24,750	24,750
Total nonoperating revenues (expenses)	<u>129,957</u>	<u>129,957</u>
Income (loss) before contributions and transfers	1,145,055	1,145,055
Transfers Out	(435,700)	(435,700)
Change in net position	709,355	709,355
Total net position -- beginning	<u>11,224,812</u>	<u>11,224,812</u>
Total net position -- ending	<u>\$ 11,934,167</u>	<u>\$ 11,934,167</u>

City of Watertown
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Combining Statement of Cash Flows - Nonmajor Proprietary Funds

	Enterprise Funds	
	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customer including deposits	\$ 3,948,057	\$ 3,948,057
Payments to suppliers	(834,442)	(834,442)
Payments to employees	(1,325,023)	(1,325,023)
Other Operating Cash Receipts	19,132	19,132
Net cash provided (used) by operating activities	<u>1,807,724</u>	<u>1,807,724</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contribution	(80,000)	(80,000)
Transfers Out	(435,700)	(435,700)
Net cash provided (used) by noncapital financing activities	<u>(515,700)</u>	<u>(515,700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	3,666	3,666
Acquisition and construction of capital assets	(1,484,427)	(1,484,427)
Interest payments on SRF Loan	(24,778)	(24,778)
Proceeds from SRF Loan	134,827	134,827
Principal payments on SRF Loan	(44,766)	(44,766)
Net cash provided (used) by capital and related financing activities	<u>(1,415,478)</u>	<u>(1,415,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	204,261	204,261
Net cash provided by investing activities	<u>204,261</u>	<u>204,261</u>
Net increase (decrease) in cash and cash equivalents	80,807	80,807
Pooled Cash and Investments - January 1	<u>4,700,302</u>	<u>4,700,302</u>
Pooled Cash and Investments - December 31	<u><u>4,781,109</u></u>	<u><u>4,781,109</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,015,098	\$ 1,015,098
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	503,176	503,176
Changes in Assets and Liabilities:		
Accounts Payable - Other	1,109	1,109
Accounts Payable - Supplier	249,306	249,306
Customer Receivables	(23,366)	(23,366)
Net Pension Asset	(79)	(79)
Deferred Outflows Related to Pensions	42,053	42,053
Deferred Outflows Related to OPEB	6,287	6,287
Inventory	(5,129)	(5,129)
Other operating receivables	50,125	50,125
Other Post Employment Benefits	(16,730)	(16,730)
Deferred Inflows Related to Pensions	(25,016)	(25,016)
Deferred Inflows Related to OPEB	20,318	20,318
Salaries & Benefits Payable	(9,428)	(9,428)
Net Cash provided (used) by operating activities	<u>\$ 1,807,724</u>	<u>\$ 1,807,724</u>



Statistical Section

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	128
<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	138
<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	140
<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	145
<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	147
<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>	

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

Statistics (Unaudited)

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

	2014	2015	2016	2017
Governmental Activities				
Net Investment in Capital Assets	\$ 87,327,962	\$ 103,295,621	\$ 106,608,222	\$ 107,518,102
Restricted	14,701,445	31,242,916	14,965,449	14,607,671
Unrestricted	19,907,113	(606,514)	17,255,717	23,286,242
Total Governmental Activities Net Position	121,936,520	133,932,023	138,829,388	145,412,015
Business-Type Activities				
Net Investment in Capital Assets	124,349,767	132,695,267	139,508,003	149,623,847
Restricted	3,784,553	4,957,340	4,526,651	5,514,896
Unrestricted	20,265,716	19,743,815	19,525,178	20,132,551
Total Business-Type Activities Net Position	148,400,036	157,396,422	163,559,832	175,271,294
Primary Government				
Net Investment in Capital Assets	211,677,729	235,990,888	246,116,225	257,141,949
Restricted	18,485,998	36,200,256	19,492,100	20,122,567
Unrestricted	40,172,829	19,137,301	36,780,895	43,418,793
Total Primary Government Net Position	\$ 270,336,556	\$ 291,328,445	\$ 302,389,220	\$ 320,683,309

City of Watertown
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 Year Ended December 31, 2023

Statistics (Unaudited)

	2018	2019	2020	2021	2022	2023
\$	111,229,268	\$ 113,700,057	\$ 118,593,087	\$ 115,413,286	\$ 124,189,936	\$ 121,698,341
	17,388,981	17,223,431	12,741,599	17,419,596	17,414,936	26,513,513
	21,131,466	22,545,867	30,994,061	33,607,408	29,958,313	33,002,973
	149,749,715	153,469,355	162,328,747	166,440,290	171,563,185	181,214,827
	153,019,100	159,199,656	169,097,484	180,859,077	201,244,854	207,544,963
	4,418,429	3,372,870	3,419,974	4,918,341	6,632,402	8,149,203
	25,132,526	25,567,692	28,119,438	35,768,665	39,008,313	47,116,707
	182,570,055	188,140,218	200,636,896	221,546,083	246,885,569	262,810,873
	264,248,368	272,899,713	287,690,571	296,272,363	325,434,790	329,243,304
	21,807,410	20,596,301	16,161,573	22,337,937	24,047,338	34,662,716
	46,263,992	48,113,559	59,113,499	69,376,073	68,966,626	80,119,680
\$	332,319,770	\$ 341,609,573	\$ 362,965,643	\$ 387,986,373	\$ 418,448,754	\$ 444,025,700

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

Statistics (Unaudited)

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

	2014	2015	2016	2017
Expenses				
Governmental Activities				
General Government	\$ 2,626,947	\$ 2,766,293	\$ 3,138,731	\$ 2,356,577
Public Safety	8,577,724	8,620,538	9,365,921	8,380,361
Public Works	4,478,011	3,675,342	3,596,147	3,485,238
Health and Welfare	76,368	157,151	109,777	110,281
Culture and Recreation	5,710,860	6,333,389	7,693,870	7,624,568
Conservation and Development	1,812,665	1,046,133	1,352,512	1,350,323
Interest on Long-Term Debt	1,091,127	1,637,019	1,685,639	1,568,771
Total Governmental Activities	24,373,702	24,235,865	26,942,597	24,876,119
Business-Type Activities				
Sewer	3,654,114	3,682,300	3,801,618	3,648,938
Solid Waste	2,389,520	2,542,404	2,490,138	2,761,842
Airport	1,046,734	1,235,154	1,151,179	1,158,046
Electric	24,422,931	25,547,889	27,092,700	27,456,170
Water	4,829,106	4,351,502	4,737,445	4,647,793
Gas	10,340,336	7,864,515	7,205,132	7,806,526
Total Business-Type Activities Expenses	46,682,741	45,223,764	46,478,212	47,479,315
Total Primary Government Expenses	71,056,443	69,459,629	73,420,809	72,355,434
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	125,562	128,119	146,528	149,222
Public Safety	1,577,811	1,758,183	1,856,099	1,884,313
Public Works	314,157	189,974	433,935	43,764
Health and Welfare	-	1,525	1,930	1,720
Culture and Recreation	2,199,184	2,347,198	2,300,732	3,005,717
Conservation and Development	265,133	137,084	165,258	209,793
Operating Grants and Contributions	556,333	732,088	671,135	191,410
Capital Grants and Contributions	2,373,711	5,436,484	3,515,470	2,749,396
Total Governmental Activities Program Revenues	7,411,891	10,730,655	9,091,087	8,235,335
Business-Type Activities				
Charges for Services				
Sewer	3,450,537	3,502,229	3,504,218	3,546,261
Solid Waste	2,446,657	2,833,794	2,731,339	2,945,081
Airport	154,058	154,587	188,967	237,293
Electric	27,317,371	27,954,042	29,760,309	30,057,059
Water	5,265,645	5,452,851	5,963,127	6,076,701
Gas	12,062,546	9,942,975	8,983,270	8,472,781
Operating Grants and Contributions	14,189	201,975	-	8,771
Capital Grants and Contributions	1,729,098	3,376,383	2,201,090	8,390,956
Total Business-Type Activities Program Revenues	52,440,101	53,418,836	53,332,320	59,734,903
Total Primary Government Program Revenues	59,851,992	64,149,491	62,423,407	67,970,238
Net (Expenses) Revenues				
Governmental Activities	(16,961,811)	(13,505,210)	(17,851,510)	(16,640,784)
Business-Type Activities	5,757,360	8,195,072	6,854,108	12,255,588
Total Primary Government Net Expense	\$ (11,204,451)	\$ (5,310,138)	\$ (10,997,402)	\$ (4,385,196)

City of Watertown
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Year Ended December 31, 2023

Statistics (Unaudited)

	2018	2019	2020	2021	2022	2023
\$	2,613,083	\$ 3,308,409	\$ 3,087,636	\$ 3,199,088	\$ 2,410,054	\$ 3,810,878
	10,403,846	10,369,825	10,590,948	9,695,183	10,410,900	11,514,981
	5,068,385	5,335,085	5,825,177	5,201,069	8,951,937	8,613,891
	79,903	145,679	205,308	205,704	331,709	306,237
	7,419,209	8,591,415	8,044,152	9,194,331	9,442,881	10,835,050
	1,636,273	1,376,610	1,455,131	1,439,827	3,370,056	2,147,252
	1,521,295	1,469,197	1,779,364	1,232,150	2,460,778	2,445,302
	28,741,994	30,596,220	30,987,716	30,167,352	37,378,315	39,673,591
	3,812,308	4,070,394	4,150,889	3,941,358	4,199,653	4,208,887
	2,681,029	2,834,399	2,946,347	2,666,097	3,233,371	3,028,052
	1,308,566	1,538,969	1,501,903	2,116,350	2,062,067	2,585,891
	27,902,630	27,135,117	26,180,250	26,656,782	27,724,681	28,120,639
	4,787,833	4,434,092	4,745,301	4,501,664	4,957,186	5,041,180
	8,936,492	8,471,455	7,016,826	6,954,058	11,908,351	8,976,321
	49,428,858	48,484,426	46,541,516	46,836,309	54,085,309	51,960,970
	78,170,852	79,080,646	77,529,232	77,003,661	91,463,624	91,634,561
	127,405	138,067	137,903	226,918	186,795	229,454
	2,886,937	1,946,933	1,999,036	1,908,992	2,087,242	2,698,662
	421,795	199,613	284,610	282,221	299,091	218,599
	1,100	2,300	-	-	-	-
	2,164,808	3,184,984	2,383,412	3,550,830	3,710,276	3,844,393
	238,725	270,846	263,846	188,746	404,876	320,729
	218,041	451,291	5,618,140	793,916	3,312,041	1,298,541
	2,012,698	2,699,979	3,506,625	4,176,389	1,034,911	5,496,035
	8,071,509	8,894,013	14,193,572	11,128,012	11,035,232	14,106,413
	5,262,918	3,550,926	3,867,202	4,668,162	4,673,915	5,620,978
	3,138,110	3,099,848	3,366,551	3,584,235	3,786,514	3,940,430
	284,076	226,646	285,580	388,147	924,434	437,898
	31,513,261	31,232,113	31,761,072	30,141,427	32,515,228	33,311,253
	6,245,709	5,936,773	6,648,977	7,336,939	7,548,860	8,666,952
	9,804,397	10,205,593	8,973,584	9,297,405	11,650,481	12,580,642
	8,655	7,110	649,459	758,978	1,005,627	1,031,373
	1,123,489	508,093	4,839,500	8,967,908	18,262,515	2,652,609
	57,380,615	54,767,102	60,391,925	65,143,201	80,367,574	68,242,135
	65,452,124	63,661,115	74,585,497	76,271,213	91,402,806	82,348,548
	(20,670,485)	(21,702,207)	(16,794,144)	(19,039,340)	(26,343,083)	(25,567,178)
	7,951,757	6,282,676	13,850,409	18,306,892	26,282,265	16,281,165
\$	(12,718,728)	\$ (15,419,531)	\$ (2,943,735)	\$ (732,448)	\$ (60,818)	\$ (9,286,013)

City of Watertown
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Year Ended December 31, 2023

Statistics (Unaudited)

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

	2014	2015	2016	2017
Governmental Activities				
Taxes				
Property Taxes	\$ 4,023,023	\$ 4,144,883	\$ 4,298,434	\$ 4,372,781
Sales and Use Taxes	15,218,434	15,205,209	15,150,394	15,629,115
Other Taxes	365,741	367,452	359,308	345,843
State Shared Revenues	1,003,738	1,023,327	1,040,492	933,928
Investment Earnings	511,979	591,828	616,542	666,920
Miscellaneous	917,971	351,668	291,392	485,811
Sales of Capital Assets	2,825	174,346	32,338	(266)
Special Items/Extraordinary Items/Changes in Accounting Estimate	46,603	-	-	(30,189)
Transfers	1,207,235	1,025,325	959,975	819,468
Total Governmental Activities	<u>23,297,549</u>	<u>22,884,038</u>	<u>22,748,875</u>	<u>23,223,411</u>
Business-Type Activities				
Taxes				
Other Taxes	9,576	19,799	10,839	5,144
Investment Earnings	154,702	170,953	193,311	284,058
Sales of Capital Assets	(34,946)	37,769	65,127	(13,860)
Special Items/Extraordinary Items/Changes in Accounting Estimate	-	-	-	-
Transfers	(1,207,235)	(1,025,325)	(959,975)	(819,468)
Total Business-Type Activities	<u>(1,077,903)</u>	<u>(796,804)</u>	<u>(690,698)</u>	<u>(544,126)</u>
Total Primary Government General Revenues	<u>22,219,646</u>	<u>22,087,234</u>	<u>22,058,177</u>	<u>22,679,285</u>
Change in Net Position				
Governmental Activities	6,335,738	9,378,828	4,897,365	6,582,627
Business-Type Activities	4,679,457	7,398,268	6,163,410	11,711,462
Total Primary Government	<u>\$ 11,015,195</u>	<u>\$ 16,777,096</u>	<u>\$ 11,060,775</u>	<u>\$ 18,294,089</u>

City of Watertown
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Year Ended December 31, 2023

Statistics (Unaudited)

	2018	2019	2020	2021	2022	2023
\$	4,518,618	\$ 4,705,100	\$ 5,073,849	\$ 5,290,954	\$ 5,266,687	\$ 5,102,864
	16,119,594	17,098,037	17,431,110	19,632,529	21,573,383	22,454,880
	330,268	320,936	314,757	292,651	315,491	274,162
	222,829	232,355	280,834	281,908	279,182	244,839
	1,016,385	1,216,468	617,013	426,652	1,623,998	4,272,183
	994,703	361,482	440,707	517,100	390,139	437,324
	7,145	18,221	(8,534)	12,691	179,661	12,018
	68,650	-	-	(472,746)	(154,163)	-
	1,394,422	1,469,248	1,503,800	(2,830,856)	1,991,600	2,420,550
	24,672,614	25,421,847	25,653,536	23,150,883	31,465,978	35,218,820
	3,368	6,357	2,731	7,178	14,823	25,872
	561,610	750,378	330,496	229,269	994,976	2,393,440
	174,784	-	-	14,314	39,022	(354,623)
	409,011	-	(183,158)	(479,322)	-	-
	(1,394,422)	(1,469,248)	(1,503,800)	2,830,856	(1,991,600)	(2,420,550)
	(245,649)	(712,513)	(1,353,731)	2,602,295	(942,779)	(355,861)
	24,426,965	24,709,334	24,299,805	25,753,178	30,523,199	34,862,959
	4,002,129	3,719,640	8,859,392	4,111,543	5,122,895	9,651,642
	7,706,108	5,570,163	12,496,678	20,909,187	25,339,486	15,925,304
\$	11,708,237	\$ 9,289,803	\$ 21,356,070	\$ 25,020,730	\$ 30,462,381	\$ 25,576,946

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

	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 167,034	\$ 179,622	\$ 131,519	\$ 117,441
Restricted	20,461	20,517	20,588	20,701
Assigned	1,588,547	1,537,580	1,810,538	1,853,390
Unassigned	7,134,110	8,074,419	7,239,354	7,226,669
Total General Fund	<u>8,910,152</u>	<u>9,812,138</u>	<u>9,201,999</u>	<u>9,218,201</u>
All Other Governmental Funds				
Nonspendable	\$ 5,366,976	\$ 34,635	\$ 39,392	\$ 31,231
Restricted	12,983,774	27,173,200	11,551,269	9,487,772
Assigned	14,120,906	18,553,821	18,505,930	19,858,874
Unassigned	(6,379,436)	(6,326,763)	(6,250,872)	(6,193,540)
Total All Other Governmental Funds	<u>\$ 26,092,220</u>	<u>\$ 39,434,893</u>	<u>\$ 23,845,719</u>	<u>\$ 23,184,337</u>

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	2018	2019	2020	2021	2022	2023
\$	289,878	\$ 408,631	\$ 441,625	\$ 292,393	\$ 284,042	\$ 336,699
	20,925	21,344	21,488	21,541	21,821	22,632
	2,236,060	2,491,661	1,894,211	473,706	2,537,182	422,267
	6,782,280	6,171,141	10,756,357	12,878,424	10,323,022	12,697,476
	9,329,143	9,092,777	13,113,681	13,666,064	13,166,067	13,479,074
\$	294,034	\$ 331,620	\$ 349,564	\$ 52,353	\$ 90,745	\$ 85,411
	12,916,223	14,154,947	10,339,568	14,708,617	47,707,396	22,933,943
	18,515,914	20,481,603	25,648,334	25,897,154	23,422,373	24,881,122
	(6,063,266)	(5,888,462)	(5,490,976)	(5,005,470)	(4,608,853)	(4,621,380)
\$	25,662,905	\$ 29,079,708	\$ 30,846,490	\$ 35,652,654	\$ 66,611,661	\$ 43,279,096

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

	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 19,535,361	\$ 19,720,693	\$ 19,804,161	\$ 20,295,735	\$ 20,923,892
Licenses and Permits	310,437	234,333	262,968	318,695	341,040
Intergovernmental	1,495,512	1,621,313	1,969,753	2,120,676	2,148,338
Charges for Goods and Services	3,784,132	4,043,345	4,051,700	4,672,145	5,052,441
Fines and Forfeitures	46,598	50,544	71,005	56,066	58,981
Interest	500,831	568,899	623,599	657,823	916,432
Miscellaneous Revenue	1,012,386	1,284,820	1,826,332	1,474,620	2,593,269
Total Revenues	26,685,257	27,523,947	28,609,518	29,595,760	32,034,393
Expenditures					
General Government	2,735,864	2,820,387	2,998,713	2,464,210	2,473,232
Public Safety	7,756,401	8,029,280	8,213,485	8,615,963	9,571,209
Public Work	5,861,418	5,179,559	6,261,400	5,346,412	6,355,562
Health and Welfare	76,110	144,736	104,055	116,875	74,043
Culture and Recreation	8,534,335	15,039,450	22,871,337	9,278,066	7,064,630
Conservation and Development	1,636,633	888,069	1,320,712	1,226,378	1,443,638
Debt Service					
Principal	1,176,242	1,641,259	2,446,287	2,486,947	2,394,832
Interest	899,249	1,420,320	1,599,995	1,569,444	1,572,520
Administrative Charges	1,500	3,516	3,400	3,300	3,300
Bond Issuance Costs	169,263	402,019	50,948	-	-
Total Expenditures	28,847,015	35,568,595	45,870,332	31,107,595	30,952,966
Revenues Over (Under) Expenditures	(2,161,758)	(8,044,648)	(17,260,814)	(1,511,835)	1,081,427
Other Financing Sources (Uses)					
Sales of Municipal Property	785,901	271,779	48,265	77,376	45,011
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	3,996,550	4,772,131	5,028,975	4,233,118	6,274,422
Transfer Out	(2,789,315)	(3,746,806)	(4,069,000)	(3,413,650)	(4,880,000)
Total Other Financing Sources (Uses)	12,039,739	22,289,307	1,061,501	896,844	1,439,433
Special Items/Extraordinary Items/ Change in Accounting Estimate	-	-	-	(30,189)	68,650
Net Change in Fund Balances	\$ 9,877,981	\$ 14,244,659	\$ (16,199,313)	\$ (645,180)	\$ 2,589,510
Debt service as a % of noncapital expenditures	11.0%	16.9%	15.6%	15.8%	16.1%

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	2019	2020	2021	2022	2023
\$	22,052,308	\$ 22,744,922	\$ 24,898,220	\$ 27,151,757	\$ 27,702,226
	376,762	327,018	374,143	561,098	505,758
	1,905,491	7,900,601	2,396,344	3,735,071	2,786,560
	5,134,622	4,414,534	5,490,254	5,851,289	6,337,573
	74,929	39,499	45,645	30,590	40,764
	1,356,533	630,382	426,668	1,625,053	4,272,183
	1,298,693	2,375,806	1,236,772	2,971,783	2,056,731
	32,199,338	38,432,762	34,868,046	41,926,641	43,701,795
	3,208,693	2,956,992	4,623,321	3,623,367	3,887,420
	8,793,926	9,552,921	9,710,939	9,987,797	10,926,295
	6,484,294	5,995,892	6,131,015	13,302,039	9,752,486
	139,203	199,868	208,713	331,104	302,159
	6,702,341	7,703,220	9,869,686	15,397,351	36,441,402
	1,169,595	1,295,007	1,283,855	3,229,170	2,012,298
	2,520,809	4,406,952	2,583,266	3,444,556	3,148,760
	1,470,399	1,989,745	1,321,431	1,946,303	2,675,423
	3,500	3,500	3,000	8,320	14,020
	-	251,127	106,665	495,799	-
	30,492,760	34,355,224	35,841,891	51,765,806	69,160,263
	1,706,578	4,077,538	(973,845)	(9,839,165)	(25,458,468)
	4,611	8,585	27,039	217,382	18,360
	-	21,760,000	9,370,000	35,930,000	-
	-	1,515,332	238,955	2,313,356	-
	-	(23,077,569)	-	-	-
	4,780,748	6,589,800	4,644,144	10,363,208	6,279,030
	(3,311,500)	(5,086,000)	(7,475,000)	(8,371,608)	(3,858,480)
	1,473,859	1,710,148	6,805,138	40,452,338	2,438,910
	-	-	(472,746)	(154,163)	-
\$	3,180,437	\$ 5,787,686	\$ 5,358,547	\$ 30,459,010	\$ (23,019,558)
	15.3%	21.0%	13.1%	14.9%	9.7%

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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
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%
2023	1,875,363,107	732,658,201	2,608,021,308	1.76	3,068,260,362	85%

Source: Codington County Board of Equalization.

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

Fiscal Year	City of Watertown			Overlapping Rates							
	Operating Millage	Debt Service Millage	Total City Millage	County		Watertown School District				Total Direct & Overlapping Rates	
			Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts		
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
2023	1.76	0.00	1.76	2.67	0.00	2.67	10.21	0.00	10.21	0.64	15.28

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Table 7
Principal Taxpayers
Current Year and Ten Years Ago

Taxpayer	2023			2014		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Terex South Dakota Inc	\$ 23,681,668	1	0.91%	\$ -	-	-
Glacial Lakes Energy	23,060,303	2	0.88%	9,973,922	2	0.68%
The Plains Apartments LLC	14,942,871	3	0.57%	-	-	-
Watertown Co-op Elevator	14,632,342	4	0.56%	8,440,875	3	0.58%
Watertown Development Co.	9,621,637	5	0.37%	4,819,006	7	0.33%
Wal-Mart Real Estate Business Trust	11,490,862	6	0.44%	10,279,090	1	0.71%
38th ST Investment Co.	9,234,837	7	0.35%	-	-	-
Watertown Lodging Associates LLC	8,995,855	8	0.34%	-	-	-
Menards	8,423,484	9	0.32%	8,296,442	4	0.57%
David E & Charlotte M McElhany	8,227,578	10	0.32%	-	-	-
Les McElhany & David McElhany	-	-	-	4,387,420	9	0.30%
Worthington Industries	-	-	-	5,408,091	6	0.37%
Stone Oil Company	-	-	-	4,504,153	8	0.31%
Michael B. Lantsberger	-	-	-	4,312,106	10	0.30%
Watertown Plaza LLC	-	-	-	5,855,917	5	0.40%
Totals	132,311,437		5.07%	66,277,022		4.55%

Entire City Assessed Valuation for 2023: \$ 2,608,021,308

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	Amount		Percentage of Levy	
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	440	5,261,728	99.96
2022	5,145,637	5,102,864	99.17	-	5,102,864	99.17
2023	5,693,831 (see note below)					

Note: (1) The year shown on this table indicates the year of the levy for collection in the next year, the 2023 tax levy will be collected in the year 2024, 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)
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
2023	10,549,895	10,549,895	10,549,895

(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				
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
2023	-	-	59,450,000	1,879,149	1,857,863	3,551,007	22,348,803	197,953	89,284,775	17.22%	518,446,588	3,941

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

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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
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)
2023	22,655	2,608,021,308	-	-	-	0.00%	0.00%	-

Table 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2023

<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	\$ 23,465,000	80.0%	\$ 18,772,000
Subtotal, overlapping debt			18,772,000
City of Watertown direct debt			-
Total direct and overlapping debt			<u>\$ 18,772,000</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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Table 13
Legal Debt Margin Information
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019
Debt Limit (5% limit)	\$ 72,898,997	\$ 76,017,872	\$ 80,625,333	\$ 85,429,030	\$ 88,154,712	\$ 93,650,314
Total net debt applicable to limit	23,796,405	42,688,558	40,675,202	38,266,187	35,821,355	33,300,546
Legal debt margin	49,102,592	33,329,314	39,950,131	47,162,843	52,333,357	60,349,768
Total net debt applicable to the limit as a percentage of debt limit	32.64%	56.16%	50.45%	44.79%	40.63%	35.56%

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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	2020	2021	2022	2023
Debt Limit (5% limit)	\$ 98,161,559	\$ 103,651,261	\$ 116,659,239	\$ 130,401,065
Total net debt applicable to limit	27,063,594	33,850,328	66,335,772	63,187,012
Legal debt margin	71,097,965	69,800,933	50,323,467	67,214,053
Total net debt applicable to the limit as a percentage of debt limit	27.57%	32.66%	56.86%	48.46%

Legal Debt Margin Calculation for Fiscal Year 2023

	"No-Limit" Debt	Debt Capacity at 5% (Unrestricted)	Additional 10% Debt Capacity (Water/Sewer)
2023 Assessed Value	\$2,608,021,308		
Maximum Debt Capacity:	\$ -	\$ 130,401,065	\$ 260,802,131
Existing Bonds:			
SRF Loan No. 5 (Wastewater Revenue Surcharge)	184,444	-	-
SRF Loan No. 6-CW (Sales Tax)	-	373,324	-
SRF Loan No. 6-NPS (Sales Tax)	-	31,870	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	248,740	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	24,957	-	-
SRF Loan No. 8-CW (Sales Tax)	-	161,362	-
SRF Loan No. 8-NPS (Sales Tax)	-	18,055	-
SRF Loan No. 10-CW (Sales Tax)	-	1,198,662	-
SRF Loan No. 11-CW (Sales Tax)	-	95,876	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	4,085,555	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	2,010,548	-	-
SRF Loan No. 14-CW (Wastewater Revenue Surcharge)	2,895,446	-	-
Wastewater Revenue Bonds - 2020 Refunding	4,885,000	-	-
Water Revenue Bonds - 2020 Refunding	6,575,000	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue)	40,309	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste Revenue)	1,398,804	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	915,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	17,240,000	-
2021 Sales Tax Revenue Bonds	-	6,650,000	-
2022 Sales Tax Revenue Bonds	-	17,740,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	6,955,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	9,950,000	-
2021 Tax Increment Bond	-	1,857,863	-
Total Bonded Debt	22,348,803	63,187,012	-
Total Debt	22,348,803	63,187,012	-
Available Debt Capacity	N/A	\$ 67,214,053	\$ 260,802,131

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

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
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
2023	18,228,359	11,729,497	6,498,862	2,431,520	326,122	2.36	10,549,895	2,825,000	2,284,022	2.06

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
 Annual Comprehensive Financial Report
 Year Ended December 31, 2023

Statistics (Unaudited)

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)
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%
2023	22,655	29,346	37.6	13.0	3,584	1.9%

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.

Statistics (Unaudited)

Table 16
Principal Employers
Current Year and Ten Years Ago

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employed	Employees	Rank	Percentage of Total City Employed
Watertown School District	776	1	3.43%	900	1	4.19%
Prairie Lakes Healthcare System	683	2	3.01%	540	3	2.51%
Terex Utilities	634	3	2.80%	608	2	2.83%
HyVee	450	4	1.99%	414	4	1.93%
Premier Bankcard	367	5	1.62%	365	6	1.70%
City of Watertown	336	6	1.48%	348	7	1.62%
Worthington Industries	309	7	1.36%	376	5	1.75%
Dakota Bodies	285	8	1.26%	261	8	1.21%
Jenkins Living Center	274	9	1.21%	255	10	1.19%
Sparton	253	10	1.12%	257	9	1.20%
Total	4,367		19.28%	4,324		20.13%

Source: Watertown Development Company

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Mayor/City Council	11.50	11.50	11.50	11.50	11.50	11.50	11.50	7.00	7.00	7.00
City Manager	-	-	-	-	-	-	-	1.50	1.50	2.00
Attorney	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	3.00
Finance	7.10	7.04	7.00	7.11	7.00	6.11	5.59	5.00	5.00	5.00
Information Technology	1.00	3.00	3.00	3.00	3.12	3.36	3.36	3.60	3.60	4.00
City Hall	-	-	-	-	0.50	0.60	0.40	0.40	0.40	-
Engineering	7.47	7.00	7.00	7.58	7.58	7.58	7.58	7.58	7.58	6.81
Public Safety										
Police	42.35	42.12	42.05	42.40	42.40	42.70	45.36	45.70	45.70	45.33
E-911	12.80	12.35	12.81	13.30	13.30	13.60	12.34	15.60	15.60	13.76
Fire/Ambulance	37.43	37.03	38.00	39.20	39.00	39.49	40.15	39.49	39.49	40.45
Public Works										
Streets	12.95	13.62	14.51	16.18	16.55	17.02	17.55	17.02	17.02	17.45
Cemetery	3.11	3.10	2.63	3.08	3.12	3.20	3.80	3.20	3.20	3.67
Building Services	4.47	4.47	4.47	4.48	5.00	5.00	6.00	6.00	6.00	5.00
Health and Welfare										
Mosquito Control	-	-	-	-	-	0.48	0.48	0.48	0.48	0.36
Animal Control/Code Enforcement	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Culture and Recreation										
Park and Recreation	54.00	55.04	52.40	59.19	61.80	61.09	61.78	63.79	63.79	58.34
Prairie Lakes Wellness Center	15.02	15.06	14.11	22.82	28.33	27.35	26.10	23.95	24.95	23.13
Forestry	3.03	3.43	3.22	3.48	3.48	3.48	4.37	5.48	5.48	4.25
Library	11.14	11.54	11.01	11.97	11.97	12.29	12.80	12.29	12.29	11.15
Conservation & Development										
Sioux River Watershed Project	1.63	1.77	1.66	1.65	1.65	1.65	1.00	1.00	1.00	-
Urban Renewal	0.11	0.01	-	-	-	-	-	-	-	-
Wastewater	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	13.48
Refuse Collection	16.64	16.69	16.58	16.76	16.76	16.76	16.76	16.76	16.76	17.50
Airport	4.07	4.49	4.05	4.63	4.63	7.63	6.63	8.00	8.00	8.39
Electric	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	28.75
Gas	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	16.50
Water	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	18.75

Source: City Departments

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

Statistics (Unaudited)

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

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Physical Arrests	2,020	2,420	2,289	2,374	3,004	3,520	2,401	2,212	1,671	2,619
Accidents	763	738	737	694	771	886	639	651	674	641
Traffic Violations	1,366	1,344	1,647	1,697	1,372	1,536	1,639	1,707	1,178	1,606
Fire										
Emergency Responses	2,114	2,298	2,392	2,514	2,674	2,752	2,873	2,956	3,024	2,968
Fire Calls	375	445	456	466	577	730	770	778	880	894
Inspections	411	493	543	329	269	241	285	300	463	561
Solid Waste										
Refuse Deposited (tons per day)	149	159	142	164	182	181	207	181	192	200
Recyclables collected (tons per day)	3	3	3	3	3	3	3	3	3	3
Other Public Works										
Crack Sealed Streets (blocks)	41	98	130	272	143	184	111	111	96	48
Seal Coat Streets (blocks)	149	139	160	63	65	112	83	83	49	41
Street Resurfacing (blocks)	48	49	50	50	109	32	56	3	9	9
Parks and Recreation										
Prairie Lakes Wellnes Center Members	4,820	5,192	4,897	7,514	8,110	8,119	8,307	8,455	10,457	11,228
Participants in Youth Programs	5,147	5,974	5,913	5,408	5,706	5,814	2,673	5,916	6,123	6,424
Library										
Items in Collection	140,130	144,826	148,505	155,468	163,040	175,210	177,766	178,274	176,854	201,875
Total Items Loaned	218,621	235,897	252,448	250,614	237,579	251,675	192,374	236,927	219,484	226,579
Wastewater										
Avg sewage treatment (mill gal per day)	3.00	2.46	2.44	3.06	2.83	4.47	3.46	3.00	3.22	2.80
Airport										
Boardings per year	1,968	2,820	2,770	10,600	12,084	11,681	7,225	18,265	14,526	15,073

Source: City Departments

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2023

Statistics (Unaudited)

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	14	14	14	14	14	14	14	14	14	13
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection Trucks	7	7	8	8	8	8	8	8	8	8
Other public works										
Streets (miles)	170	174	175	220	220	202	204	205	205	206
Streetlights	2,646	2,676	2,691	2,707	2,795	2,830	2,854	2,854	2,842	2,933
Traffic signals	31	31	35	32	32	30	24	24	24	24
Parks and Recreation										
Acreage	631	712	712	712	717	717	725	725	775	775
Derby Downs clubhouse & arena (acres)	80	80	80	80	80	80	80	80	65	65
Playgrounds	21	21	21	21	21	22	23	23	23	23
Baseball/softball fields	18	18	23	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, 2023, 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 July 24, 2024. 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 identified.

Report on Compliance and Other Matters

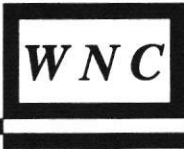
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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
July 24, 2024



WILLIAM NEALE & CO., P.C.

Certified Public Accountants

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, 2023. 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 \$1,121,387 in federal awards which is not included in the schedule during the year ended December 31, 2023. 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, 2023.

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
July 24, 2024

CITY OF WATERTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2023</u>
Department of Justice:			
Direct Federal Funding:			
Office of Justice Programs, Bulletproof Vest Partnership Program	16.607	--	\$ 9,499
Office of Community Oriented Policing Services, Public Safety Partnership & Community Policing Grants	16.710	2020UMWX0182	<u>12,625</u>
Total Department of Justice			<u>22,124</u>
Department of Transportation:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Highway Safety, State & Community Highway Safety	20.600	69A37522300004020SD0	27,807
SD Office of Emergency Management, Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	693JK322NF0011HMEP	<u>13,129</u>
			<u>40,936</u>
Direct Federal Funding:			
Airport Improvement Program	20.106	3-46-0058-36-2020	106,090
	20.106	3-46-0058-37-2021	354,036
	20.106	3-46-0058-38-2021	655,093
	20.106	3-46-0058-40-2022	903,055
	20.106	3-46-0058-43-2023	79,423
	20.106	3-46-0058-44-2023	<u>93,857</u>
			<u>2,191,554</u>
Total Department of Transportation			<u>2,232,490</u>
Department of the Treasury:			
Direct Federal Funding:			
Coronavirus State & Local Fiscal Recovery Funds – Major Program	21.027	-	<u>552,763</u>
Homeland Security:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Homeland Security, Homeland Security Grant Program	97.067	-	<u>103,186</u>

CITY OF WATERTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023
(Continued)

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2023</u>
Direct Federal Funding:			
Federal Emergency Management Agency, Disaster Grants – Public Assistance			
(Presidentially Declared Disasters) – Major Program	97.036	SD-4718-PW-000148(0)	17,285
	97.036	SD-4718-PW-000152(0)	64,439
	97.036	SD-4718-PW-00058(0)	15,601
	97.036	SD-4718-PW-000112(0)	13,200
	97.036	SD-4656-PW-000153(0)	<u>12,984</u>
			123,509
Transportation Security Administration, Law Enforcement Officer Reimbursement Agreement Program			
	97.090	70T02021T6114N037	<u>19,445</u>
			142,954
Total Homeland Security			<u>246,140</u>
GRAND TOTAL - Note 3			<u>\$ 3,053,517</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, 2023. 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 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, 2023**

PRIOR OTHER AUDIT FINDINGS

The prior audit report disclosed no written audit findings.

PRIOR FEDERAL AUDIT FINDINGS

The prior audit report disclosed no written audit findings.

CITY OF WATERTOWN
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

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 Coronavirus State and Local Fiscal Recovery Funds (21.027) and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036).
- 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.