



ANNUAL COMPREHENSIVE FINANCIAL REPORT

2024 Fiscal Year

January 1, 2024 to December 31, 2024



Prepared By:

The City Finance Department

Kristen Bobzien, Chief Financial Officer

2024

ANNUAL COMPREHENSIVE FINANCIAL REPORT CITY OF WATERTOWN, SOUTH DAKOTA

January 1, 2024 – December 31, 2024

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

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August 27, 2025

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, 2024.

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 Eide Bailly, LLP 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, 2024, 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, 2024, 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 growth in 2024 even with inflation setting in. The General Fund sales tax revenues showing an increase of 10.3% over the original budgeted revenues and an increase of 1.1% over the actual sales tax revenue from 2023. The fund balance increased in 2024, which was not anticipated during the 2024 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 16,361 to 16,884 from 2023 to 2024 and the total employment increased from 16,059 to 16,600 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 14,161 which has been 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 an anticipated increase in Sales Tax revenue for 2024 compared to projected revenues in 2023. The budget was prepared during discussions about a potential recession and rising interest rates. As a result, sales tax projections were made conservatively. Debt service expenditures increased due to bond issuances, leading to a decrease in the Capital Improvement Fund's unassigned balance over time to cover bond repayments. The projected rise in Sales Tax revenue is expected to help restore some of the Capital Improvement Fund balance for future capital requirements. The City continues to experience growth and is working on planning measures related to infrastructure expansion and improvement.

The City is currently experiencing economic uncertainty. Following the challenges of the pandemic, rising inflation has increased the costs associated with several major projects. Strategic planning will be essential in the coming years, particularly given ongoing concerns regarding a potential recession.

Major Initiatives

Some major capital initiatives started during 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 is committed to providing residents with affordable service rates while ensuring that city operations remain cost-effective. Departments continuously seek opportunities to generate additional revenue through grant applications and by increasing participation in various programs. Simultaneously, ongoing efforts are made to reduce operating expenses across all departments. Given the shared funding source among multiple independently functioning departments, it is critical to consistently identify potential savings wherever possible.

A rate study conducted in 2020, followed by an annual review in 2022, resulted in increases to both Sewer and Solid Waste fees. The adjustment to Sewer fees is partly attributed to an approved major sewer improvement project. Despite these increases, the City remains competitive, maintaining affordable rates compared to municipalities of similar size. Ongoing assessments of infrastructure and operational needs enable the City to adjust rates as needed, thereby ensuring a high standard of service.

Personnel expenses represent a significant portion of the budget, necessitating careful financial planning to sustain adequate staffing levels. Departments are required to justify requests for new positions and demonstrate their ability to fund them during the budgeting process. The overarching objective is to staff all departments appropriately while preserving a fund balance sufficient to address future costs, even amid economic downturns.

The recent completion of a two-sheet Ice Arena is expected to attract additional visitors and stimulate local economic activity. Collaborative efforts with the Convention and Visitors Bureau will continue to promote these new facilities, supported by the \$2 per night room tax collected from local hotels.

As expenditures rise, the City remains proactive in identifying alternative revenue streams. Notably, sales tax revenues have increased in recent years, and the City will continue to monitor 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, 2023. This was the forty-second year that the City of Watertown has achieved this prestigious award.

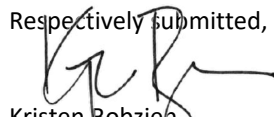
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This report was prepared with the help of the Finance Office staff, the Municipal Utilities Department, and all City Departments who provided essential information. Special thanks to the Finance Office for their year-round dedication to data accuracy, and to the Mayor and City Council for their ongoing support of the City's financial management.

Respectfully submitted,



Kristen 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, 2023

Christopher P. Morill

Executive Director/CEO

Municipal Officials

Governing Boards	Expires
LIBRARY BOARD	
Anne Gabel	July, 2025
Jean Moulton	July, 2025
Sandra Niewoehner	July, 2025
Michelle Spies	July, 2025
Dave Weigel	July, 2026
Dan Schutte - Liaison	
MUNICIPAL UTILITIES BOARD	
Dan Brenden	May, 2025
Rich Thomas	May, 2026
Charlie Larkin	March, 2027
Chris Carter	July, 2028
Michael Luken	July, 2029
Mike Danforth - Liaison	
PARK & RECREATION BOARD	
Mike Johnson	July, 2025
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

INTERIM CITY MANAGER/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

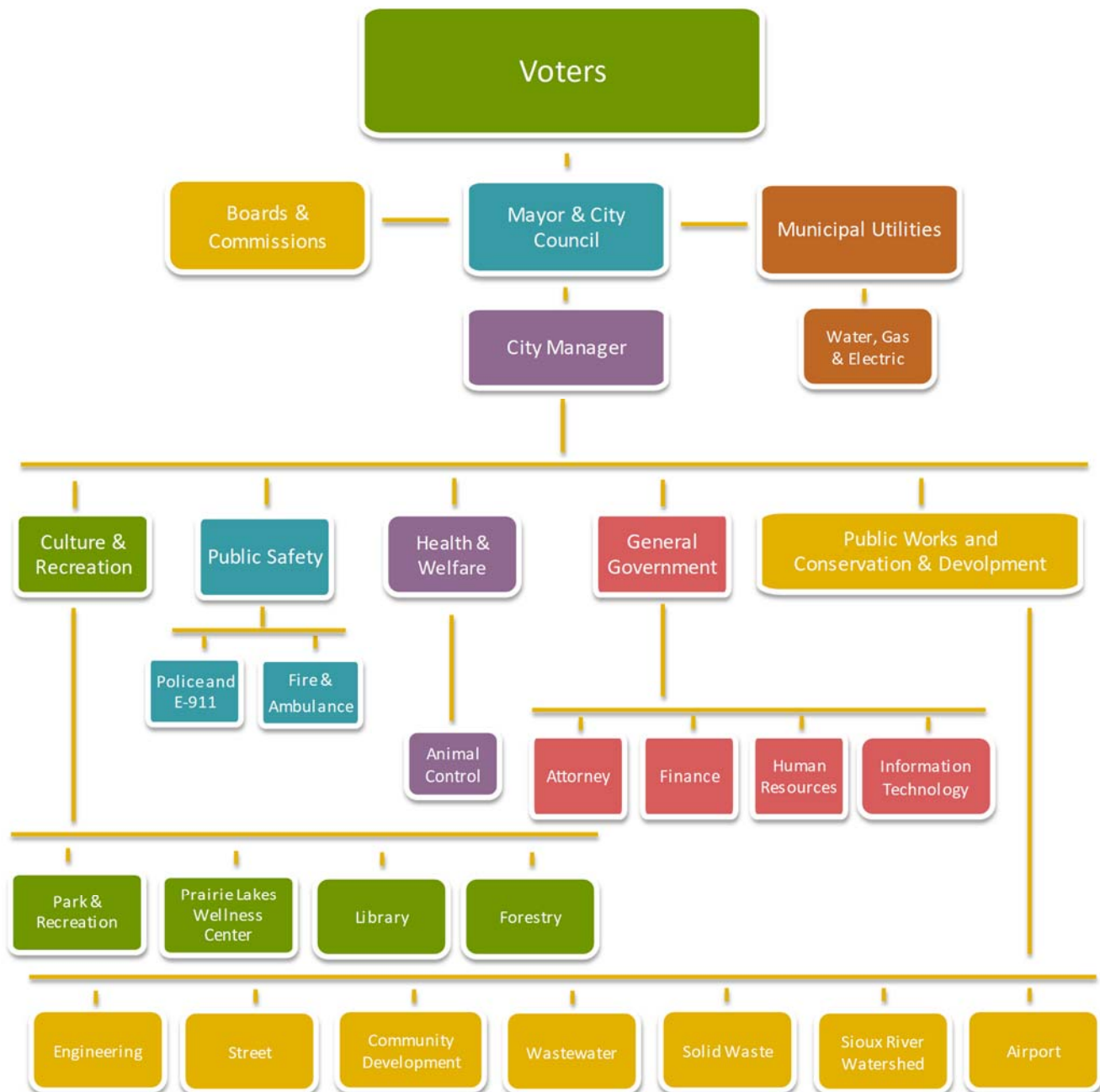
SUPERINTENDENT OF UTILITIES

Steve Lehner

LIBRARY DIRECTOR

Maria Gruener

Organizational Chart







Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Watertown, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the "City") as of and for the year ended December 31, 2024, 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, 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, 2024, 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.

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.

Adoption of New Accounting Standard

As discussed in Note 5 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Accordingly, a restatement has been made to the governmental activities, business-type activities, and the sewer, electric, water, gas, airport, and other proprietary funds net position as of January 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Correction of Errors

As discussed in Note 5 to the financial statements, certain errors resulting in an understatement of amounts previously reported for deferred inflows of resources as of December 31, 2023, were discovered by management of the City during the current year. Accordingly, a restatement has been made to the Capital Improvements Fund balance and governmental activities net position as of January 1, 2024, to correct the errors. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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' 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' 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, budgetary comparison schedules, schedule of changes in total OPEB liability and related ratios, schedule of net position liability (asset), schedule of contributions, and 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 GAAS, which consisted of inquiries of management regarding 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 combining nonmajor financial statements and budgetary comparison schedules for nonmajor funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the 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 GAAS. In our opinion, the combining nonmajor financial statements and budgetary comparison schedules for nonmajor funds, and schedule of expenditures of federal awards are 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2025, 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.



Fargo, North Dakota
August 27, 2025

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, 2024. 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 2024, total assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$459 million. This amount is referred to as the City’s “net position.” Of this net position amount, \$77 million may be used to meet the City’s ongoing obligations to citizens and creditors. The \$459 million net position amount is comprised of three major components:

•	Net investment in capital assets	\$ 358 million
•	Amounts restricted as to their use	\$ 24 million
•	Unrestricted net position	\$ 77 million

The City’s total net position increased during 2024 by approximately \$17.6 million. Of this increase, \$1.1 million occurred within the City’s governmental activities and the remaining \$16.5 million increase occurred within the City’s business-type activities, or Enterprise Funds. The revenues of the Capital Improvement Fund (\$15.6 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 \$16.5 million in net position reflects the business-type activities revenues that continue to exceed expenses.

As of the close of 2024, the City’s Governmental Funds reported combined ending fund balances of \$45.8 million. Of this total amount, \$30.1 million is available for spending at the City’s discretion, although only about \$13.5 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, 2024, is \$97.1 million including \$6.7 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.

Management's Discussion and Analysis

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.

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.

Management's Discussion and Analysis

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 25 individual governmental funds for 2024. 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, Park & Recreation Fund and Capital Improvement Fund which are considered to be major funds. Data from the other 20 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.

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, Park & Recreation Fund and Capital Improvement Fund to demonstrate compliance with this budget. In addition, a budgetary comparison statement has been provided for the non-major governmental funds following the required supplementary information.

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This section includes a budgetary comparison schedule and related notes for the General Fund 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.

Management's Discussion and Analysis

Government-wide Financial Analysis

Net Position. As presented on the following table, the City's assets exceeded liabilities by \$459,162,319 at the close of the fiscal year ending December 31, 2024.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023 As Restated	2024	2023 As Restated	2024	2023 As Restated	2024
Current and Other Assets	\$ 69,915,855	\$ 56,583,684	\$ 66,651,446	\$ 69,455,862	\$ 136,567,301	\$ 126,039,546
Capital Assets	188,436,360	199,500,005	230,248,658	246,941,601	418,685,018	446,441,606
Total Assets	258,352,215	256,083,689	296,900,104	316,397,463	555,252,319	572,481,152
Deferred Outflows of Resources	4,755,202	4,465,072	3,054,469	2,786,000	7,809,671	7,251,072
Long-term Debt Outstanding	66,188,321	68,653,747	22,859,865	28,428,054	89,048,186	97,081,801
Other Liabilities	12,780,721	4,915,093	12,561,257	9,917,529	25,341,978	14,832,622
Total Liabilities	78,969,042	73,568,840	35,421,122	38,345,583	114,390,164	111,914,423
Deferred Inflows of Resources	4,333,833	6,583,607	1,722,578	2,071,875	6,056,411	8,655,482
Net Position:						
Net Investment in Capital Assets	121,698,341	135,465,029	207,544,963	222,491,746	329,243,304	357,956,775
Restricted	26,513,513	16,568,343	8,149,203	7,727,318	34,662,716	24,295,661
Unrestricted	31,592,688	28,362,942	47,116,707	48,546,941	78,709,395	76,909,883
Total Net Position	\$ 179,804,542	\$ 180,396,314	\$ 262,810,873	\$ 278,766,005	\$ 442,615,415	\$ 459,162,319

The City elected not to restate the 2023 financial statements for GASB 101, as such the statements may not be comparable.

By far the largest portion (77.9%) of the City's net position is represented by \$358.0 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.

The restricted net position of \$24.3 million comprises 5.3% of the total net position. These assets are subject to external restrictions on how they may be used. The remaining balance of \$77.0 million, or 16.8%, 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.

Management's Discussion and Analysis

Changes in net position

The City's revenues for the year totaled \$116.8 million including approximately \$72.4 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 \$28.6 million of total revenues, or about 25 cents of every revenue dollar.

Effective January 1, 2024, the City implemented provisions of GASB Statement No. 101 *Compensated Absences*. Due to this change in accounting principle, prior-period information preceding the periods shown in the basic financial statements was not restated. Consequently, data for the year ended December 31, 2023 remains unchanged. In addition, during fiscal year 2024, the City determined previously reported amounts relating to two naming rights and sponsorship agreements were not reported in accordance with GASB Statement No. 87, *Leases*. Additional details regarding these change are provided in Note 5 of the financial statements.

The City's net position increased by \$17.6 million or 4.2% 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	
	2023 As Restated	2024	2023 As Restated	2024	2023 As Restated	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,311,837	\$ 7,937,005	\$ 64,558,153	\$ 64,465,030	\$ 71,869,990	\$ 72,402,035
Operating Grants and Contributions	1,298,541	1,098,683	1,031,373	945,985	2,329,914	2,044,668
Capital Grants and Contributions	5,496,035	1,662,834	2,652,609	5,335,978	8,148,644	6,998,812
General Revenues:						
Taxes	27,831,906	28,610,512	25,872	25,433	27,857,778	28,635,945
State Shared Revenues	244,839	227,366	-	-	244,839	227,366
Other	4,721,525	3,810,394	2,038,817	2,693,890	6,760,342	6,504,284
Total Revenues	46,904,683	43,346,794	70,306,824	73,466,316	117,211,507	116,813,110
Expenses:						
General Government	3,810,878	550,156	-	-	3,810,878	550,156
Public Safety	11,514,981	12,891,096	-	-	11,514,981	12,891,096
Public Works	8,613,891	12,510,024	-	-	8,613,891	12,510,024
Health and Welfare	306,237	344,384	-	-	306,237	344,384
Culture and Recreation	10,835,050	12,902,008	-	-	10,835,050	12,902,008
Conservation and Development	2,147,252	2,347,141	-	-	2,147,252	2,347,141
Debt Service	2,445,302	3,197,092	-	-	2,445,302	3,197,092
Sewer	-	-	4,208,887	4,584,157	4,208,887	4,584,157
Solid Waste	-	-	3,028,052	3,683,534	3,028,052	3,683,534
Airport	-	-	2,585,891	2,700,852	2,585,891	2,700,852
Electric	-	-	28,120,639	29,262,325	28,120,639	29,262,325
Water	-	-	5,041,180	5,870,413	5,041,180	5,870,413
Gas	-	-	8,976,321	8,340,422	8,976,321	8,340,422
Total Expenses	39,673,591	44,741,901	51,960,970	54,441,703	91,634,561	99,183,604
Excess (Deficiency) Before Transfers	7,231,092	(1,395,107)	18,345,854	19,024,613	25,576,946	17,629,506
Transfers	2,420,550	2,538,500	(2,420,550)	(2,538,500)	-	-
Change in Net Position	9,651,642	1,143,393	15,925,304	16,486,113	25,576,946	17,629,506
Net Position - beginning as previously reported	171,563,185	179,804,542	246,885,569	262,810,873	418,448,754	442,615,415
Adjustments - see Note 5	(1,410,285)	(551,621)	-	(530,981)	(1,410,285)	(1,082,602)
Net Position - beginning, as restated	170,152,900	179,252,921	246,885,569	262,279,892	417,038,469	441,532,813
Net Position - ending	\$ 179,804,542	\$ 180,396,314	\$ 262,810,873	\$ 278,766,005	\$ 442,615,415	\$ 459,162,319

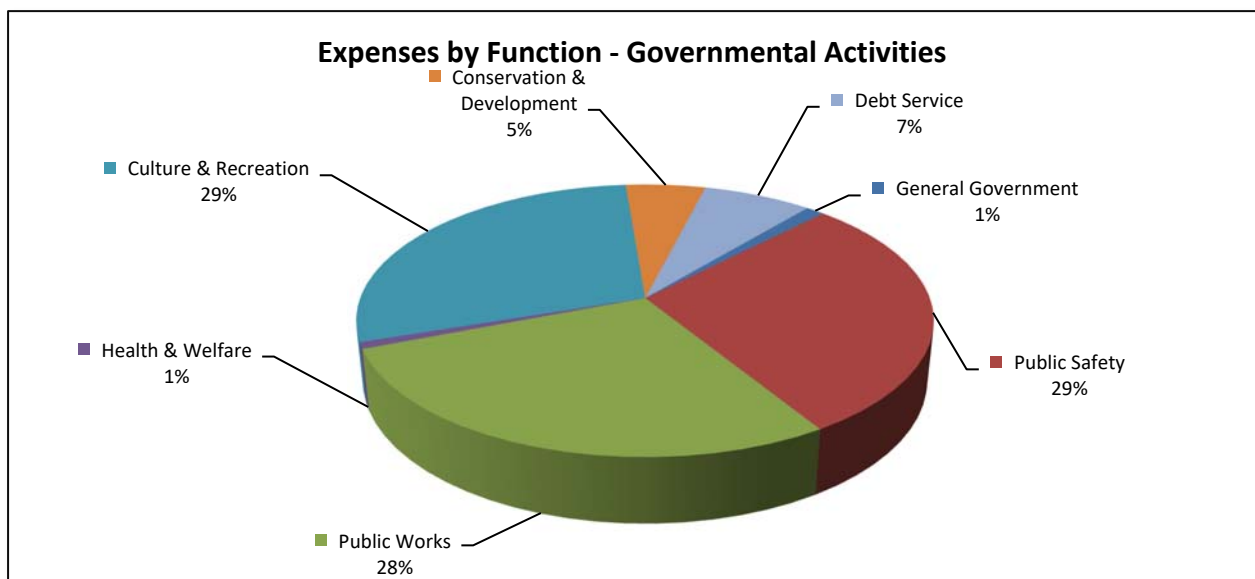
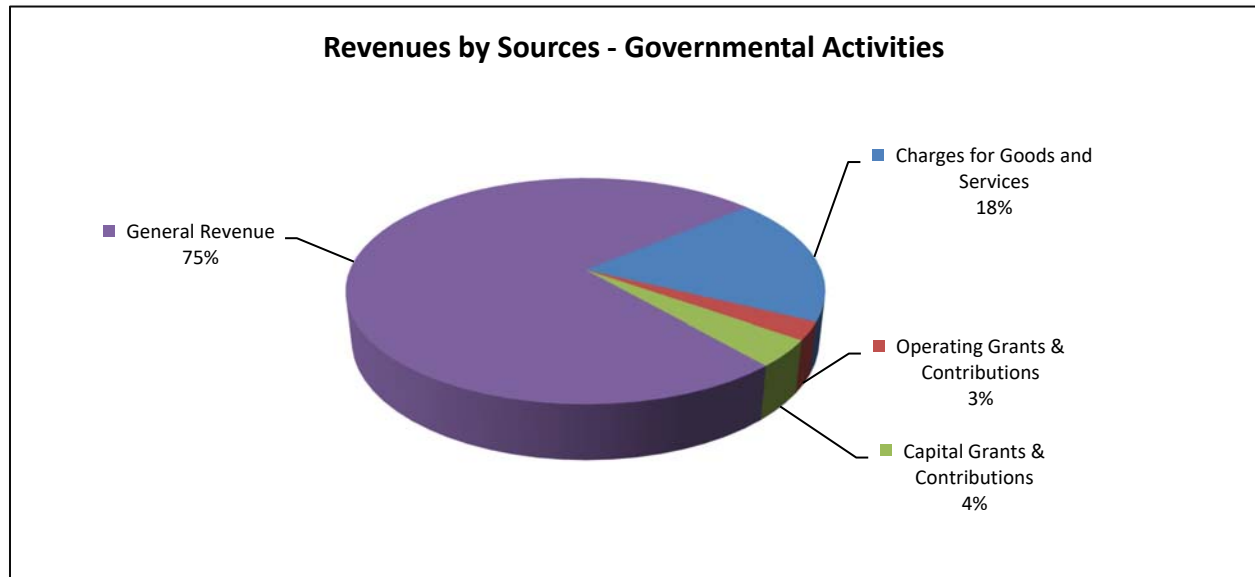
The City elected not to restate the 2023 financial statements for GASB 101, as such the statements may not be comparable

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the City's net position by \$1.1 million, accounting for 6.5% 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:

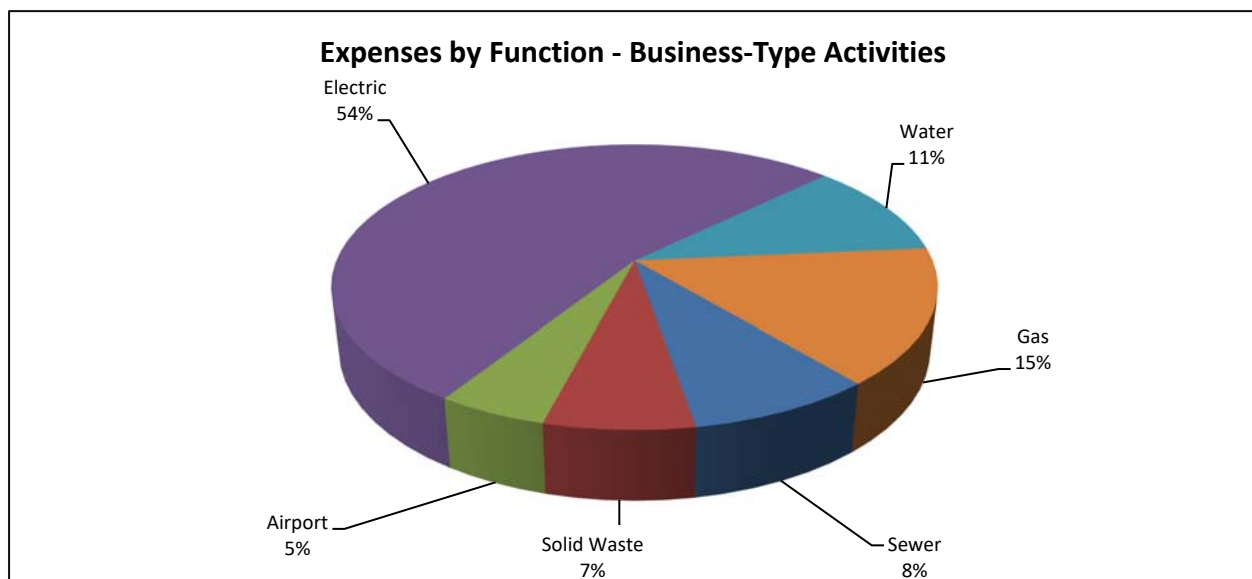
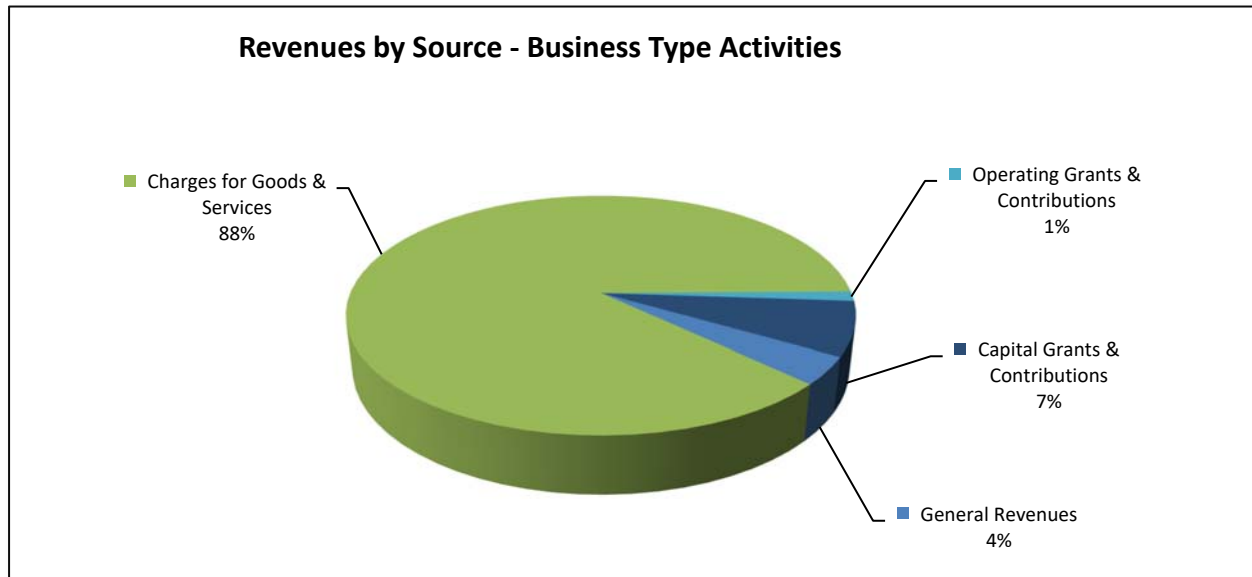


Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased the City's net position by \$16.5 million, accounting for 93.5% 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 2024, the City's governmental funds reported combined fund balance total of \$45.8 million, a decrease of \$9.6 million, or 16.8% from 2023. Of the total fund balance, the City has internally earmarked \$19.5 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 \$452,267 or about 3.4%, from 2023. As of the end of 2024, \$.4 million of net position are either nonspendable, restricted, or assigned in the General Fund for future capital outlay or other specified purposes. The increase in the fund balance can be attributed to the sales tax revenue exceeding the estimated fund balance by \$992,829 or 10.3%. The unassigned fund balance of \$13.5 million is about 66.7% of 2024 General Fund revenues. The nonspendable, restricted, and assigned amounts will not affect the availability of fund resources for future use.

Park & Recreation Fund – The fund balance decreased by \$518,942 or 17.6%. This decrease resulted from multiple recreation improvement projects from the previous year being completed in 2024. The original 2024 budget also incorporated the use of unassigned fund balance to complete large projects.

Capital Improvement Fund – The fund balance decreased by \$3,690,505 or 14.0%. This decrease resulted from capital projects being completed during 2024 and large equipment purchases. The sales tax revenues exceeded the estimated budget by \$992,829 or 10.3%. Capital contributions of \$2.2 million were received in excess of the original budget contributing to strong revenues.

Proprietary Funds

Sewer Fund – Net position increased by \$1,459,506, or 2.1%, with an operating income of \$1,701,993. The amount of operating income equals approximately 28.6% of operating revenues for this fund. The increase in net position is attributable to the increase in rates established in 2022 and incremental increases in the previous years.

Electric, Gas, and Water Funds – Net position in the Electric, Gas and Water Funds increased by a combined \$12,148,337 or 9.6%. This increase resulted from overall strong operating income from electric, gas and water utility services.

Airport Fund – Net position increased by \$2,659,668, or 4.8%. This increase resulted from the closeout of large federal grants for capital projects related to the Airport Terminal Design/Construction and Terminal apron.

General Budgetary Highlights

The final 2024 General Fund expenditure budget reflects an increase to the original budget of \$476,840, or about 2.2%, the increase was spread out across various functions to account for modest operating expenditures increases for personnel and supplies.

General Fund expenditures totaled approximately \$1,593,542, or 7.3%, less than the original budget. This variance resulted from some departments not being at full staffing levels during the year.

Management’s Discussion and Analysis

Capital Asset and Debt Administration

Capital assets

The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2024, totals \$446,441,606 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, improvements, machinery & equipment, park facilities, roads and other infrastructure assets.

Major capital asset events during the 2024 included the following:

• Terminal Site Improvements - \$5.8 million	• City Hall Renovation (CIP) - \$3.2 million
• Taxiway D & Ag Area Improv. (CIP) - \$3.0 million	• Pickleball Courts - \$0.6 million
• Fire Truck – Engine 1 - \$0.7 million	• Ice Arena (CIP) - \$35.4 million
• Wastewater Treatment Facility Improv. (CIP) - \$9.4 million	• Multiple Street Projects - \$3.5 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 2024 the City had total debt outstanding of \$97,081,801 in Sales Tax Bonds and other long-term obligations. This is an increase of .08% or \$79,244. There was no significant long-term debt activity for the year.

The City has outstanding \$610,000 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 \$15,565,000 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 \$6,350,000 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 \$17,405,000 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 \$6,715,000 in Sales Tax Revenue Bonds, Series 2022B. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Street Facility.

Management's Discussion and Analysis

The City has outstanding \$9,760,000 in Sales Tax Revenue Bonds, Series 2022C. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Ice Arena.

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

Economic Outlook and Next Year's Budget

The City adopted the 2024 budget in late 2023 with the expectation of a stable local economy. The sales tax revenues received in 2024 showed an increase over 2023 of 1.3%. This increase was in line with the anticipated growth due to conservative budgeting. The 2024 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 2025 budget reflects a decrease in planned spending of \$23.0 million, or 24.2%, from the original 2024 budget. This decrease is due to large capital projects being completed during 2024. The sales-tax-dependent General Fund budget reflects a modest increase of \$0.4 million, or 1.7%. 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 2024 with an overall increase in the taxable value of real property of \$202,500,905 million reflecting a \$25.6 million increase from new property placed on the tax rolls and a \$176.9 million increase by virtue of the reappraisal process. The increase in taxable property will result in an increase of \$173,968 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.

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
ASSETS				
Pooled Cash and Investments	\$ 41,384,906	\$ 44,654,720	\$ 86,039,626	\$ -
Non-Pooled Cash and Investments	-	-	-	1,635,196
Receivables, net	8,856,635	8,347,254	17,203,889	871
Due from Other Sources	-	-	-	-
Due from Other Governments	167,536	4,887,307	5,054,843	-
Inventories	387,735	3,333,500	3,721,235	-
Deposits	-	12,024	12,024	-
Prepaid Expenses	314,724	384,876	699,600	21,761
Internal Balances	1,204,421	(1,204,421)	-	-
Net Pension Asset	22,545	12,437	34,982	290
Restricted Pooled Cash and Investments	4,245,182	9,028,165	13,273,347	-
Capital Assets:				
Land and Construction in Progress	65,951,313	20,276,324	86,227,637	291,433
Other Capital Assets, Net of Depreciation/Amortization	133,548,692	226,665,277	360,213,969	755,264
Total assets	256,083,689	316,397,463	572,481,152	2,704,815
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	3,805,914	2,091,104	5,897,018	48,977
OPEB Related Deferred Outflows	659,158	694,896	1,354,054	-
Total Deferred Outflows of Resources	4,465,072	2,786,000	7,251,072	48,977
LIABILITIES				
Accounts Payable	4,080,236	7,349,218	11,429,454	27,148
Salaries Payable	-	150,158	150,158	-
Retainage Payable	141,883	269,653	411,536	-
Accrued Interest Payable	186,742	86,096	272,838	-
Other Accrued Expenses	-	-	-	20,113
Customer Deposits	-	779,839	779,839	24,515
Revenues Collected in Advance	-	697,115	697,115	-
Unearned Revenue	506,232	585,450	1,091,682	-
Long-term Liabilities:				
Due within one year	4,244,680	2,544,686	6,789,366	-
Due in more than one year	64,409,067	25,883,368	90,292,435	-
Total liabilities	73,568,840	38,345,583	111,914,423	71,776
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	2,844,856	1,572,586	4,417,442	36,374
Leases Deferred Inflows	3,492,666	370,478	3,863,144	-
OPEB Related Deferred Inflows	246,085	128,811	374,896	-
Total Deferred Inflows of Resources	6,583,607	2,071,875	8,655,482	36,374
NET POSITION				
Net Investment in Capital Assets	135,465,029	222,491,746	357,956,775	1,046,697
Restricted for Cemetery Perpetual Care:				
Expendable	6,024	-	6,024	-
Nonexpendable	50,000	-	50,000	-
Restricted for Culture & Recreation	2,645,857	-	2,645,857	-
Restricted for Debt Service	4,146,588	3,061,329	7,207,917	-
Restricted for Capital Projects	8,670,758	-	8,670,758	-
Restricted for Public Safety	1,049,116	-	1,049,116	-
Restricted for Operation & Maintenance	-	741,714	741,714	-
Restricted for Replacement & Depreciation	-	3,924,275	3,924,275	-
Restricted for Housing Assistance Payments	-	-	-	572
Unrestricted	28,362,942	48,546,941	76,909,883	1,598,373
Total net position	\$ 180,396,314	\$ 278,766,005	\$ 459,162,319	\$ 2,645,642

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

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	\$ 550,156	\$ 176,722	\$ -	\$ -
Public Safety	12,891,096	2,857,206	299,846	178,703
Public Works	12,510,024	18,679	703,505	1,133,169
Health and Welfare	344,384	-	9,732	-
Culture and Recreation	12,902,008	4,482,512	85,600	350,962
Conservation and Development	2,347,141	401,886	-	-
Interest on Long-Term Debt	3,197,092	-	-	-
Total governmental activities	44,741,901	7,937,005	1,098,683	1,662,834
Business-Type Activities:				
Sewer	4,584,157	5,958,336	-	515,929
Solid Waste	3,683,534	4,308,891	-	-
Airport	2,700,852	396,241	103,385	4,325,961
Electric	29,262,325	33,629,480	-	91,857
Water	5,870,413	8,276,397	842,600	400,961
Gas	8,340,422	11,895,685	-	1,270
Total business-type activities	54,441,703	64,465,030	945,985	5,335,978
Total primary government	99,183,604	72,402,035	2,044,668	6,998,812
Component units:				
Watertown Housing and Redev.	1,544,766	438,683	1,130,208	203,054
Total Component Units	\$ 1,544,766	\$ 438,683	\$ 1,130,208	\$ 203,054

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 and transfers

Change in net position

Net position - beginning as previously reported

Adjustments - see Note 5

Net position - beginning, as restated

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, 2024

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
\$ (373,434)	\$ -	\$ (373,434)	\$ -
(9,555,341)	-	(9,555,341)	-
(10,654,671)	-	(10,654,671)	-
(334,652)	-	(334,652)	-
(7,982,934)	-	(7,982,934)	-
(1,945,255)	-	(1,945,255)	-
(3,197,092)	-	(3,197,092)	-
(34,043,379)	-	(34,043,379)	-
-	1,890,108	1,890,108	-
-	625,357	625,357	-
-	2,124,735	2,124,735	-
-	4,459,012	4,459,012	-
-	3,649,545	3,649,545	-
-	3,556,533	3,556,533	-
-	16,305,290	16,305,290	-
(34,043,379)	16,305,290	(17,738,089)	-
			227,179
			\$ 227,179
5,768,826	-	5,768,826	-
22,595,254	-	22,595,254	-
246,432	25,433	271,865	-
227,366	-	227,366	-
3,233,882	2,614,419	5,848,301	18,607
429,578	-	429,578	-
146,934	79,471	226,405	-
2,538,500	(2,538,500)	-	-
35,186,772	180,823	35,367,595	18,607
1,143,393	16,486,113	17,629,506	245,786
181,214,827	262,810,873	444,025,700	2,399,856
(1,961,906)	(530,981)	(2,492,887)	-
179,252,921	262,279,892	441,532,813	2,399,856
\$ 180,396,314	\$ 278,766,005	\$ 459,162,319	\$ 2,645,642

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

Balance Sheet - Governmental Funds

	General Fund	Park & Recreation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled Cash and Investments	\$ 11,855,326	\$ 2,545,573	\$ 13,602,425	\$ 13,381,582	\$ 41,384,906
Property Taxes Receivable	46,018	-	-	38,796	84,814
Sales Tax Receivable	1,333,904	-	1,333,904	134,063	2,801,871
Accounts Receivable	1,758,584	24,792	60,000	246,630	2,090,006
Special Assessments Receivable	361,341	-	237,939	-	599,280
Loans Receivable	-	-	12,569	1,796,864	1,809,433
Leases Receivable	-	232,113	1,239,118	-	1,471,231
Due From Other Funds	-	-	3,323,859	-	3,323,859
Due From Other Governments	145,647	-	-	21,889	167,536
Inventory	313,509	74,226	-	-	387,735
Prepaid Item	-	-	98,120	-	98,120
Advance To Other Fund	-	-	2,614,118	-	2,614,118
Prepaid Insurance Premium	-	-	216,604	-	216,604
Restricted Assets:					
Pooled Cash and Investments	95,536	-	4,146,588	3,058	4,245,182
Total assets	<u>15,909,865</u>	<u>2,876,704</u>	<u>26,885,244</u>	<u>15,622,882</u>	<u>61,294,695</u>
LIABILITIES					
Accounts Payable	592,571	219,108	1,116,872	2,151,686	4,080,237
Retainage Payable	-	-	-	141,883	141,883
Advance From Other Fund	-	-	-	4,733,556	4,733,556
Total liabilities	<u>592,571</u>	<u>219,108</u>	<u>1,116,872</u>	<u>7,027,125</u>	<u>8,955,676</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>1,385,953</u>	<u>230,495</u>	<u>4,566,690</u>	<u>360,115</u>	<u>6,543,253</u>
Total Deferred Inflows of Resources	<u>1,385,953</u>	<u>230,495</u>	<u>4,566,690</u>	<u>360,115</u>	<u>6,543,253</u>
FUND BALANCES					
Nonspendable for:					
Inventory	313,509	74,226	-	-	387,735
Cemetery Perpetual Care	50,000	-	-	-	50,000
Restricted for:					
Debt Service	-	-	4,146,588	-	4,146,588
Capital Projects	-	-	-	8,528,875	8,528,875
BBB Sales Tax	-	-	-	1,295,626	1,295,626
Event Center	-	-	-	3,058	3,058
E-911 Services	-	-	-	1,049,116	1,049,116
Library	-	-	-	208,811	208,811
Cable TV Security	17,447	-	-	-	17,447
Cemetery Perpetual Care	6,024	-	-	-	6,024
Casualty Reserve	-	-	-	34,116	34,116
Assigned for:					
Park Development	-	83,207	-	-	83,207
Golf Course	-	8,968	-	-	8,968
Zoo Improvements	-	2,522	-	-	2,522
Ice Arena	-	750,000	3,700,414	-	4,450,414
Advances	-	-	2,614,118	-	2,614,118
Other Purposes	22,065	1,508,178	10,740,562	48,109	12,318,914
Unassigned:	<u>13,522,296</u>	<u>-</u>	<u>-</u>	<u>(2,932,069)</u>	<u>10,590,227</u>
Total fund balances	<u>13,931,341</u>	<u>2,427,101</u>	<u>21,201,682</u>	<u>8,235,642</u>	<u>45,795,766</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,909,865</u>	<u>\$ 2,876,704</u>	<u>\$ 26,885,244</u>	<u>\$ 15,622,882</u>	<u>\$ 61,294,695</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		\$	45,795,766
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	\$	261,140,122	
Accumulated Depreciation		<u>(61,640,117)</u>	199,500,005
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		(610,000)	
2020 Revenue Bonds - Refunding		(15,565,000)	
2021 Revenue Bonds		(6,350,000)	
2022 Revenue Bonds		(17,405,000)	
2022 Revenue Bonds - 2022B		(6,715,000)	
2023 Revenue Bonds - 2022C		(9,760,000)	
2021 Tax Increment Bonds - TIF #11		(1,783,087)	
SRF Loan #6 - CW		(308,828)	
SRF Loan #6 - NPS		(25,440)	
SRF Loan #8 - CW		(132,074)	
SRF Loan #8 - NPS		(14,778)	
SRF Loan #10 - CW		(1,053,932)	
SRF Loan #11 - CW		(85,819)	
Direct Financing Leases		(734,405)	
Unamortized Premiums on Bonds		(3,349,730)	
Accrued Interest Payable		(186,742)	
Other Post Employment Benefits		(1,510,767)	
Compensated Absences		<u>(3,249,887)</u>	(68,840,489)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.			
			22,545
Pension related deferred outflows are components of pension asset and therefore not reported in the funds.			
			3,805,914
Pension related deferred inflows are components of pension asset and therefore not reported in the funds.			
			(2,844,856)
Net OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds.			
			413,073
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		93,049	
Franchise Fees		16,828	
E-911 Surcharges		171,645	
Grants		1,204	
Contributions		142,750	
General Sales and Use Tax		<u>2,118,880</u>	2,544,356
Net Position of governmental activities		\$	<u><u>180,396,314</u></u>

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

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

	General Fund	Park & Recreation Fund	Capital Improvement Fund	Capital Projects Fund (506) Previously Reported as Major	Other Governmental Funds	Total Governmental Funds
REVENUES						
Tax Revenue						
Property	\$ 4,355,825	\$ -	\$ -		\$ 1,413,001	\$ 5,768,826
Sales	10,662,829	-	10,662,829		1,283,101	22,608,759
Other Taxes	261,398	-	-		-	261,398
Licenses and Permits	544,565	-	-		-	544,565
Intergovernmental	1,248,106	-	1,355,430		-	2,603,536
Charges for Goods and Services	2,191,281	2,164,575	-		2,272,694	6,628,550
Fines and Forfeits	37,089	-	-		13,689	50,778
Interest Revenue	550,473	146,121	1,340,180		1,197,108	3,233,882
Rentals	1,914	562,646	-		67,341	631,901
Special Assessments	123,682	-	-		-	123,682
Donations/Contributions	38,911	67,396	2,155,186		235,787	2,497,280
Miscellaneous	249,336	41,447	112,796		25,999	429,578
Total revenues	<u>20,265,409</u>	<u>2,982,185</u>	<u>15,626,421</u>		<u>6,508,720</u>	<u>45,382,735</u>
EXPENDITURES						
Current:						
General Government	3,591,254	-	-		108,523	3,699,777
Public Safety	10,431,232	-	1,390,851		1,195,666	13,017,749
Public Works	3,850,060	-	6,726,281		3,417,686	13,994,027
Health and Welfare	334,349	-	-		-	334,349
Culture and Recreation	1,584,496	6,111,755	3,336,419		7,192,946	18,225,616
Conservation and Development	516,347	-	271,772		1,375,553	2,163,672
Debt Service	-	-	5,573,986		505,902	6,079,888
Total expenditures	<u>20,307,738</u>	<u>6,111,755</u>	<u>17,299,309</u>		<u>13,796,276</u>	<u>57,515,078</u>
Excess (deficiency) of revenues over expenditures	<u>(42,329)</u>	<u>(3,129,570)</u>	<u>(1,672,888)</u>		<u>(7,287,556)</u>	<u>(12,132,343)</u>
OTHER FINANCING SOURCES (USES)						
Sale of Municipal Property	31,096	10,628	-		-	41,724
Transfers In	3,038,500	2,600,000	-		2,092,617	7,731,117
Transfers Out	<u>(2,575,000)</u>	<u>-</u>	<u>(2,017,617)</u>		<u>(600,000)</u>	<u>(5,192,617)</u>
Total other financing sources (uses)	<u>494,596</u>	<u>2,610,628</u>	<u>(2,017,617)</u>		<u>1,492,617</u>	<u>2,580,224</u>
Net Change in Fund Balances	452,267	(518,942)	(3,690,505)		(5,794,939)	(9,552,119)
Fund balances - beginning, as previously reported	13,479,074	-	26,302,472	5,903,586	11,073,038	56,758,170
Adjustment Note 5	-	2,946,043	(1,410,285)	(5,903,586)	2,957,543	(1,410,285)
Fund balances - beginning, as restated	13,479,074	2,946,043	24,892,187	-	14,030,581	55,347,885
Fund balances - ending	<u>\$ 13,931,341</u>	<u>\$ 2,427,101</u>	<u>\$ 21,201,682</u>	<u>-</u>	<u>\$ 8,235,642</u>	<u>\$ 45,795,766</u>

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	(\$ 9,552,119)
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Expenditure for Capital Assets	\$ 15,735,945	
Less Current Depreciation	<u>(4,672,300)</u>	11,063,645

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 Assesments	(105,923)	
Sales Taxes	(13,505)	
Franchise Fees	(14,966)	
E-911 Surcharges	63,452	
Contributions	(2,136,250)	
Grants	<u>(94,126)</u>	(2,301,318)

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	201,277	
Repayment of Bond Principal	3,512,419	
Direct Financing Leases	<u>(868,770)</u>	2,844,926

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(263,338)
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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.	(131,302)
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Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.	(554,972)
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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	37,871
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Change in net position of governmental activities	<u><u>\$ 1,143,393</u></u>
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City of Watertown
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Statement of Net Position - Proprietary Funds

	Sewer Fund	Electric Fund	Water Fund
ASSETS			
Current assets:			
Pooled Cash and Investments	\$ 2,343,253	\$ 22,230,911	\$ 6,252,966
Accounts Receivable	509,999	2,632,774	783,395
Unbilled Accounts Receivable	-	804,418	214,031
Other Receivable	-	-	81,973
Leases Receivable	-	-	-
Due From Other Funds	-	2,000,000	-
Due From Other Governments	653,014	-	-
Advance To Other Fund	2,119,438	-	-
Inventory	324,377	1,784,881	827,538
Deposit for Flexible Spending	-	12,024	-
Prepaid Expense	-	157,178	96,590
Net Pension Asset	1,283	4,305	2,122
Restricted Pooled Cash and Investments	<u>4,947,240</u>	<u>-</u>	<u>2,780,079</u>
Total Current assets:	<u>10,898,604</u>	<u>29,626,491</u>	<u>11,038,694</u>
Noncurrent assets:			
Land	1,737,749	464,914	512,669
Buildings and Structures	44,160,907	6,994,152	22,280,014
Furniture Equipment Machinery	2,104,976	3,595,973	1,296,072
Improvements Other Than Buildings	60,071,275	65,523,441	42,960,979
Intangible Property	-	-	-
Construction in Progress	9,374,454	13,493	3,912,335
Accumulated Depreciation	(40,203,185)	(36,392,751)	(26,163,627)
Accumulated Amortization	<u>-</u>	<u>(133,556)</u>	<u>(82,519)</u>
Total Noncurrent assets:	<u>77,246,176</u>	<u>40,065,666</u>	<u>44,715,923</u>
Total assets	<u>88,144,780</u>	<u>69,692,157</u>	<u>55,754,617</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	224,676	715,021	350,753
OPEB Related Deferred Outflows	<u>49,111</u>	<u>258,499</u>	<u>134,248</u>
Total Deferred Outflows of Resources	<u>273,787</u>	<u>973,520</u>	<u>485,001</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	1,684,679	2,706,925	590,022
Salaries Payable	-	67,936	39,197
Retainage Payable	204,383	-	-
Revenues Collected in Advance	-	337,705	80,263
Due to Other Funds	-	-	8,200,000
Loans Payable	957,624	-	879,849
Accrued Interest Payable	45,990	-	34,376
Accrued Vacation and Sick Leave	66,358	190,461	104,420
Unearned Revenue	-	585,450	-
Customer Deposits	-	779,839	-
Total Current liabilities:	<u>2,959,034</u>	<u>4,668,316</u>	<u>9,928,127</u>
Noncurrent liabilities:			
Accrued Vacation and Sick Leave	199,076	571,385	313,259
Net OPEB Liability	113,019	60,347	34,855
Closure/Post Closure Liability	-	-	-
Loans Payable	<u>14,375,562</u>	<u>-</u>	<u>6,603,209</u>
Total Noncurrent liabilities:	<u>14,687,657</u>	<u>631,732</u>	<u>6,951,323</u>
Total liabilities	<u>17,646,691</u>	<u>5,300,048</u>	<u>16,879,450</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	161,218	542,216	270,314
Leases Deferred Inflows	-	-	-
OPEB Related Deferred Inflows	<u>18,352</u>	<u>36,959</u>	<u>19,623</u>
Total Deferred Inflows of Resources	<u>179,570</u>	<u>579,175</u>	<u>289,937</u>
NET POSITION			
Net Investment in Capital Assets	61,708,607	40,065,666	37,232,865
Restricted for SRF O&M	250,442	-	491,272
Restricted for SRF R&D	3,924,275	-	-
Restricted for Debt Service	772,523	-	2,288,806
Unrestricted	<u>3,936,459</u>	<u>24,720,788</u>	<u>(942,712)</u>
Total net position	<u>\$ 70,592,306</u>	<u>\$ 64,786,454</u>	<u>\$ 39,070,231</u>

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

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Statement of Net Position - Proprietary Funds (continued)

Gas Fund		Airport Fund		Other Proprietary Funds		Total Proprietary Funds	
\$	12,362,910	\$	-	\$	1,464,680	\$	44,654,720
	1,875,230		59,690		368,040		6,229,128
	640,800		-		-		1,659,249
	-		-		-		81,973
	-		376,904		-		376,904
	6,200,000		-		-		8,200,000
	-		4,234,293		-		4,887,307
	-		-		-		2,119,438
	320,552		42,450		33,702		3,333,500
	-		-		-		12,024
	131,108		-		-		384,876
	2,723		618		1,386		12,437
	-		-		1,300,846		9,028,165
	<u>21,533,323</u>		<u>4,713,955</u>		<u>3,168,654</u>		<u>80,979,721</u>
	58,131		248,400		685,743		3,707,606
	1,641,183		20,797,378		993,472		96,867,106
	1,616,547		6,334,774		7,677,400		22,625,742
	22,441,237		42,840,620		8,967,950		242,805,502
	3,930,745		-		-		3,930,745
	-		3,268,436		-		16,568,718
	(13,505,925)		(15,902,486)		(6,322,848)		(138,490,822)
	<u>(856,921)</u>		<u>-</u>		<u>-</u>		<u>(1,072,996)</u>
	<u>15,324,997</u>		<u>57,587,122</u>		<u>12,001,717</u>		<u>246,941,601</u>
	<u>36,858,320</u>		<u>62,301,077</u>		<u>15,170,371</u>		<u>327,921,322</u>
	451,735		107,951		240,968		2,091,104
	173,246		23,940		55,852		694,896
	<u>624,981</u>		<u>131,891</u>		<u>296,820</u>		<u>2,786,000</u>
	1,345,722		896,736		125,134		7,349,218
	43,025		-		-		150,158
	-		65,270		-		269,653
	279,147		-		-		697,115
	-		3,323,859		-		11,523,859
	-		-		76,669		1,914,142
	-		-		5,730		86,096
	185,052		20,241		64,012		630,544
	-		-		-		585,450
	-		-		-		779,839
	<u>1,852,946</u>		<u>4,306,106</u>		<u>271,545</u>		<u>23,986,074</u>
	555,156		60,723		192,038		1,891,637
	38,911		49,122		128,571		424,825
	-		-		1,300,846		1,300,846
	-		-		1,287,289		22,266,060
	<u>594,067</u>		<u>109,845</u>		<u>2,908,744</u>		<u>25,883,368</u>
	<u>2,447,013</u>		<u>4,415,951</u>		<u>3,180,289</u>		<u>49,869,442</u>
	342,623		82,056		174,159		1,572,586
	-		370,478		-		370,478
	<u>24,877</u>		<u>8,185</u>		<u>20,815</u>		<u>128,811</u>
	<u>367,500</u>		<u>460,719</u>		<u>194,974</u>		<u>2,071,875</u>
	15,324,997		57,521,852		10,637,759		222,491,746
	-		-		-		741,714
	-		-		-		3,924,275
	-		-		-		3,061,329
	19,343,791		34,446		1,454,169		48,546,941
\$	<u>34,668,788</u>	\$	<u>57,556,298</u>	\$	<u>12,091,928</u>	\$	<u>278,766,005</u>

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

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

	Sewer Fund	Electric Fund	Water Fund
OPERATING REVENUES			
Charges for Goods and Services	\$ 3,140,984	\$ 32,535,776	\$ 4,940,222
Miscellaneous	12,518	163,706	282,274
Revenues from Transmission of Electricity	-	868,027	-
Rentals	-	61,971	426,190
Revenue Dedicated to Servicing Debt	2,804,834	-	2,627,711
Total operating revenues	5,958,336	33,629,480	8,276,397
OPERATING EXPENSES			
Personal Services	1,297,096	-	-
Supplies	148,165	-	-
Utilities	312,486	-	-
Other Charges	544,839	-	-
Production	-	19,440,053	2,032,676
Distribution	-	3,056,415	1,388,184
Transmission	-	3,121,090	-
Accounts and Commercial	-	887,130	203,621
Administrative and General	-	848,773	297,775
Administrative and General - Employer Pension	-	125,977	58,829
Other Miscellaneous Expense	-	43,587	18,695
Depreciation	1,953,757	1,656,749	1,435,035
Amortization	-	5,219	14,955
Total operating expenses	4,256,343	29,184,993	5,449,770
Operating Income (Loss)	1,701,993	4,444,487	2,826,627
NONOPERATING REVENUES (EXPENSES)			
Tax Revenue	-	-	-
Intergovernmental	-	-	842,600
Interest Revenue	498,967	1,070,005	330,096
Bond Issuance Cost	(17,491)	-	-
Interest Expense	(190,323)	-	(89,587)
Contributions	(120,000)	-	-
Gain(Loss) on Disposition of Capital Assets	431	(77,332)	(331,056)
Total nonoperating revenues (expenses)	171,584	992,673	752,053
Income (loss) before contributions and transfers	1,873,577	5,437,160	3,578,680
Transfers In	-	-	-
Transfers Out	(930,000)	(1,084,500)	-
Capital Contributions	515,929	91,857	400,961
Change in net position	1,459,506	4,444,517	3,979,641
Total net position -- beginning as previously reported	69,187,970	60,463,660	35,137,638
Prior Period Adjustment - Note 5	(55,170)	(121,723)	(47,048)
Total net position -- beginning, as restated	69,132,800	60,341,937	35,090,590
Total net position -- ending	\$ 70,592,306	\$ 64,786,454	\$ 39,070,231

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

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

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

Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
\$ 11,822,747	\$ 272,597	\$ 4,252,379	\$ 56,964,705
67,503	16,844	56,512	599,357
-	-	-	868,027
5,435	106,800	-	600,396
-	-	-	5,432,545
11,895,685	396,241	4,308,891	64,465,030
-	581,547	1,544,979	3,423,622
-	74,959	322,598	545,722
-	128,682	34,533	475,701
-	527,225	867,102	1,939,166
4,537,564	-	-	26,010,293
1,956,480	-	-	6,401,079
-	-	-	3,121,090
581,277	-	-	1,672,028
546,237	-	-	1,692,785
80,899	-	-	265,705
38,871	-	-	101,153
466,032	1,388,439	807,325	7,707,337
118,715	-	-	138,889
8,326,075	2,700,852	3,576,537	53,494,570
3,569,610	(2,304,611)	732,354	10,970,460
-	25,433	-	25,433
-	103,385	-	945,985
529,146	-	186,205	2,614,419
-	-	-	(17,491)
-	-	(26,997)	(306,907)
-	-	(80,000)	(200,000)
(14,347)	9,500	69,540	(343,264)
514,799	138,318	148,748	2,718,175
4,084,409	(2,166,293)	881,102	13,688,635
-	500,000	-	500,000
(361,500)	-	(662,500)	(3,038,500)
1,270	4,325,961	-	5,335,978
3,724,179	2,659,668	218,602	16,486,113
31,155,020	54,932,418	11,934,167	262,810,873
(210,411)	(35,788)	(60,841)	(530,981)
30,944,609	54,896,630	11,873,326	262,279,892
\$ 34,668,788	\$ 57,556,298	\$ 12,091,928	\$ 278,766,005

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

Statement of Cash Flows - Proprietary Funds

	Sewer Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customer Including Deposits	\$ 5,931,869	\$ 31,096,364
Cash Receipts for Interfund Services Provided	37,396	1,660,297
Payments to Suppliers	161,038	(23,636,476)
Payments to Employees	(1,241,506)	(3,859,489)
Payments for Interfund Services Used	(306,337)	(44,220)
Other Operating Cash Receipts	9,880	760,460
Net cash provided (used) by operating activities	<u>4,592,340</u>	<u>5,976,936</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Interfund Loans	-	-
Tax Revenue	-	-
Intergovernmental Revenue	-	-
Contribution	(120,000)	-
Transfers Out	(930,000)	(1,084,500)
Transfers In	-	-
Net cash provided (used) by noncapital financing activities	<u>(1,050,000)</u>	<u>(1,084,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,487,989)	(5,795,758)
Interest payments on Long-Term Debt	(196,925)	-
Unamortized Premiums on Bonds Issued	(12,314)	-
Proceeds from SRF Loan	4,716,889	-
Cost of Bond Issuance	(17,491)	-
Principal payments on SRF Loan	(1,040,071)	-
Capital Contribution	-	91,857
Retirement Work in Progress	-	(45,800)
Proceeds from sales of capital assets	-	-
Proceeds from leases	-	-
Net cash provided (used) by capital and related financing activities	<u>(3,037,901)</u>	<u>(5,749,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	357,604	1,070,005
Net cash provided by investing activities	<u>357,604</u>	<u>1,070,005</u>
Net increase (decrease) in cash and cash equivalents	862,043	212,740
Pooled Cash and Investments - beginning of year	6,428,450	22,018,171
Pooled Cash and Investments Per Balance Sheet	<u>\$ 7,290,493</u>	<u>\$ 22,230,911</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,701,993	\$ 4,444,488
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,953,757	1,661,968
Changes in assets and Liabilities:		
Accounts Payable - Other	-	37,071
Accounts Payable	871,023	85,262
Customer Receivables	23,447	(41,864)
Net Pension Asset	1,984	6,430
Deferred Outflows Related to Pensions	31,362	115,797
Deferred Outflows Related to OPEB	(9,776)	(14,263)
Inventory	(13,470)	(280,030)
Other Operating Receivables	-	(5,749)
Other Post Employment Benefits	22,709	59,384
Deferred Inflows Related to Pensions	(2,162)	3,750
Deferred Inflows Related to OPEB	(3,231)	(6,152)
Unearned Revenue	-	(101,817)
Salaries & Benefits Payable	14,704	12,661
Net Cash provided (used) by operating activities	<u>\$ 4,592,340</u>	<u>\$ 5,976,936</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Assets Purchases in Retainage Payable	\$ 204,383	\$ -
Contributions of Capital Assets	\$ -	\$ -

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

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

Statement of Cash Flows - Proprietary Funds (continued)

Water Fund	Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
\$ 7,912,230	\$ 11,193,169	\$ 328,772	\$ 4,212,899	\$ 60,675,303
850,374	365,496	-	-	2,913,563
(1,671,363)	(4,728,544)	(92,344)	(2,310,377)	(32,278,066)
(1,705,189)	(2,367,908)	(557,261)	(1,461,460)	(11,192,813)
(549,883)	(20,652)	-	-	(921,092)
-	-	16,844	56,512	843,696
<u>4,836,169</u>	<u>4,441,561</u>	<u>(303,989)</u>	<u>497,574</u>	<u>20,040,591</u>
-	-	3,086,348	-	3,086,348
-	-	25,433	-	25,433
497	-	103,385	-	103,882
-	-	-	(80,000)	(200,000)
-	(361,500)	-	(662,500)	(3,038,500)
-	-	500,000	-	500,000
<u>497</u>	<u>(361,500)</u>	<u>3,715,166</u>	<u>(742,500)</u>	<u>477,163</u>
(3,989,557)	(843,504)	(5,667,138)	(1,853,446)	(24,637,392)
(85,149)	-	-	(28,260)	(310,334)
(24,848)	-	-	-	(37,162)
1,947,674	-	-	-	6,664,563
-	-	-	-	(17,491)
(1,445,000)	-	-	(75,156)	(2,560,227)
1,243,064	1,270	2,262,387	-	3,598,578
-	-	-	-	(45,800)
32,072	-	-	-	32,072
-	-	(6,426)	-	(6,426)
<u>(2,321,744)</u>	<u>(842,234)</u>	<u>(3,411,177)</u>	<u>(1,956,862)</u>	<u>(17,319,619)</u>
330,096	529,147	-	186,205	2,473,057
330,096	529,147	-	186,205	2,473,057
2,845,018	3,766,974	-	(2,015,583)	5,671,192
6,188,027	8,595,936	-	4,781,109	48,011,693
<u>\$ 9,033,045</u>	<u>\$ 12,362,910</u>	<u>\$ -</u>	<u>\$ 2,765,526</u>	<u>\$ 53,682,885</u>
\$ 2,826,627	\$ 3,569,610	\$ (2,304,611)	\$ 732,354	\$ 10,970,461
1,449,990	584,747	1,388,439	807,325	7,846,226
-	-	(87)	935	37,919
(85,698)	428,747	639,699	(1,082,298)	856,734
492,332	(337,020)	(50,625)	(39,480)	46,790
2,872	4,118	1,163	2,192	18,759
38,097	76,708	28,387	35,230	325,581
(8,277)	(9,155)	(4,562)	(11,079)	(57,112)
34,364	19,815	(1,090)	(4,781)	(245,192)
(6,125)	-	-	-	(11,874)
34,311	38,270	10,598	25,737	191,009
17,860	74	(13,863)	(4,765)	894
(3,555)	(3,965)	(1,508)	(3,663)	(22,074)
-	-	-	-	(101,817)
<u>43,371</u>	<u>69,613</u>	<u>4,071</u>	<u>39,867</u>	<u>184,287</u>
<u>\$ 4,836,169</u>	<u>\$ 4,441,561</u>	<u>\$ (303,989)</u>	<u>\$ 497,574</u>	<u>\$ 20,040,591</u>
\$ -	\$ -	\$ 65,270	\$ -	\$ 269,653
\$ 306,571	\$ -	\$ -	\$ -	\$ 306,571

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 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 financial statements of the City of Watertown have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The City follows and implements all applicable GASB standards.

As of January 1, 2024, the City adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. The financial statements have been updated to conform to the presentation requirements related to the accounting changes in the financial statements for the year ended December 31, 2024. The additional disclosures required by the standard are included in Note 5.

As of January 1, 2024, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 5.

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.

Notes to the Financial Statements

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.

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).

Notes to the Financial Statements

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 *Parks & Recreation Fund* accounts for the operations and maintenance of the City owned park and recreation facilities and activities except for the Prairie Lakes Wellness Center.

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.

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.

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 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.

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.

Notes to the Financial Statements

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 other than sales tax to be available if they are collected within 30 days of the end of the current fiscal period. The availability period for sales tax revenue recognition is 15 days. Sales tax collections received by the City within 15 days of year-end that are derived from underlying transactions that occurred during the reporting period are accrued and recognized as revenue. 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.

Notes to the Financial Statements

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 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.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

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.

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.

Direct borrowing payables represent the City’s obligation to make installment payments arising from the agreement. Direct borrowing payables are recognized at the agreement commencement date based on the present value of future payments expected to be made during the contract term.

Notes to the Financial Statements

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.”

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.

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

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.

Leases: The City is also a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to

Notes to the Financial Statements

discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Other Post-Employment Benefits (OPEB): The City provides post-employment health insurance benefits. Benefits are provided until the retiree reaches the age of 65. The benefit plan provides access to health benefits, and the majority of the premium payment is the responsibility of the retiree. An actuarially determined other post-employment benefit obligation liability and deferred inflows/outflows of resources related to post-employment benefits has been recorded to account for the implicit subsidy provided under the benefit plan.

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 comp time is limited based upon employee classification and union contracts. Upon separation, the City will reimburse the employee for accumulated vacation and comp time not to exceed established maximums. The amount of unused sick leave accumulation is not limited. Upon retirement, or upon separation in good standing for employees not represented by a bargaining unit, the City reimburses eligible employees a portion of unused sick leave. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. As a result of GASB Statement 101, *Compensated Absences*, the full accrual statements including the government-wide and proprietary funds will include both those anticipated to be used in future years as well as those estimated to be paid out at the time of separation.

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, 2024, the following funds have deficit fund balances in the amount shown:

Tax Increment Financing 5 Fund	\$ (2,932,069)
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This deficit will be eliminated through future revenues, and if necessary, transfers from other funds.

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 Chief Financial 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, 2024, 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, 2025, 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, 2024 was \$1.69 per \$1,000 of taxable valuation.

The City has fifteen active Tax Increment Financing Districts (TIF). For twelve 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 \$884,894 were received by the City and paid to project developers or banks during 2024.

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, 2024:

	Other	Leases	Taxes	Accounts	Special Assessments	Loans	Unbilled Accounts	Total
General Fund	\$ -	\$ -	\$ 1,379,922	\$ 1,758,584	\$ 361,341	\$ -	\$ -	\$ 3,499,847
Capital Improvement	-	1,239,118	1,333,904	60,000	237,939	12,569	-	2,883,530
Park & Recreation	-	232,113	-	24,792	-	-	-	256,905
Sewer	-	-	-	509,999	-	-	-	509,999
Electric	-	-	-	2,632,774	-	-	804,418	3,437,192
Water	81,973	-	-	783,395	-	-	214,031	1,079,399
Gas	-	-	-	1,875,230	-	-	640,800	2,516,030
Airport	-	376,904	-	59,690	-	-	-	436,594
Nonmajor and Other	-	-	172,859	614,670	-	1,796,864	-	2,584,393
	<u>\$ 81,973</u>	<u>\$ 1,848,135</u>	<u>\$ 2,886,685</u>	<u>\$ 8,319,134</u>	<u>\$ 599,280</u>	<u>\$ 1,809,433</u>	<u>\$ 1,659,249</u>	<u>\$ 17,203,889</u>

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:

Uncollectible related to electric sales	\$ 21,071
Uncollectible related to water sales	3,762
Uncollectible related to gas sales	14,313
Total uncollectible of the current fiscal year	\$ 39,146

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)	\$ 1,006,580
Sales tax receivable (special revenue funds)	1,112,300
Special assessments not yet due (general fund)	361,341
Special assessments not yet due (special revenue funds)	237,939
Due from other governments (general fund)	1,204
Lease receivable – (special revenue fund)	3,492,666
Accounts receivable - Sponsorship agreements (special revenue fund)	142,750
Accounts receivable - Franchise Fees (general fund)	16,828
Accounts receivable - E-911 surcharges (special revenue funds)	171,645
Total	\$ 6,543,253

D. Due From Other Governments

Amounts due from other governments for the Primary Government include the following at December 31, 2024:

	Due from Federal	Due from State	Total
Governmental Activities			
General Fund	\$ 1,204	\$ 144,443	\$ 145,647
E-911 Fund	-	21,889	21,889
Total Governmental Activities	1,204	166,332	167,536
Business-Type Activities			
Enterprise Funds			
Sewer	515,929	137,085	653,014
Airport	4,146,503	87,790	4,234,293
Total Business-Type Activities	4,662,432	224,875	4,887,307
Total	\$ 4,663,636	\$ 391,207	\$ 5,054,843

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, 2024, is as follows:

Receivable Fund	Payable Fund	Amount
Capital Improvement Fund	Airport Fund	\$ 3,323,859
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, 2024 were as follows:

	General Fund	Park & Recreation Fund	Nonmajor Governmental Funds	Airport Fund	Total
Transfers Out					
General Fund	\$ -	\$ 2,000,000	\$ 75,000	\$ 500,000	\$ 2,575,000
Capital Improvement Fund	-	-	2,017,617	-	2,017,617
Sewer Fund	930,000	-	-	-	930,000
Electric Fund	1,084,500	-	-	-	1,084,500
Gas Fund	361,500	-	-	-	361,500
Nonmajor Governmental Funds	-	600,000	-	-	600,000
Nonmajor Business-Type Funds	662,500	-	-	-	662,500
	\$ 3,038,500	\$ 2,600,000	\$ 2,092,617	\$ 500,000	\$ 8,231,117

G. Advances

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, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Non-Depreciable Assets				
Land	\$ 20,213,343	\$ 3,108,503	\$ (179,207)	\$ 23,142,639
Construction in Progress	\$ 34,318,838	\$ 10,120,575	\$ (1,630,739)	\$ 42,808,674
Depreciable Assets:				
Buildings & Structures	\$ 59,737,646	\$ -	\$ -	\$ 59,737,646
Improvements other than Buildings	\$ 113,856,882	\$ 10,722,729	\$ (9,802,302)	\$ 114,777,309
Equipment & Automotive	\$ 18,612,391	\$ 4,136,723	\$ (2,075,260)	\$ 20,673,854
Totals	\$ 246,739,100	\$ 28,088,530	\$ (13,687,508)	\$ 261,140,122
Less Accumulated Depreciation:				
Buildings & Structures	\$ (18,530,656)	\$ (1,113,726)	\$ -	\$ (19,644,382)
Improvements other than Buildings	\$ (27,043,222)	\$ (2,326,319)	\$ -	\$ (29,369,541)
Equipment & Automotive	\$ (12,728,862)	\$ (1,760,416)	\$ 1,863,084	\$ (12,626,194)
Total Accumulated Depreciation	\$ (58,302,740)	\$ (5,200,461)	\$ 1,863,084	\$ (61,640,117)
Governmental Activities Capital Assets, net	\$ 188,436,360	\$ 22,888,069	\$ (11,824,424)	\$ 199,500,005
Business-Type Activities				
Non-Depreciable Assets				
Land	\$ 3,707,606	\$ -	\$ -	\$ 3,707,606
Construction in Progress	\$ 9,895,165	\$ 12,442,602	\$ (5,769,049)	\$ 16,568,718
Depreciable Assets:				
Intangible Property	\$ 3,930,745	\$ -	\$ -	\$ 3,930,745
Buildings & Structures	\$ 96,178,580	\$ 833,710	\$ (145,184)	\$ 96,867,106
Improvements other than Buildings	\$ 231,493,332	\$ 12,909,211	\$ (1,597,041)	\$ 242,805,502
Equipment & Automotive	\$ 19,037,359	\$ 4,531,701	\$ (943,318)	\$ 22,625,742
Totals	\$ 364,242,787	\$ 30,717,224	\$ (8,454,592)	\$ 386,505,419
Less Accumulated Depreciation/Amortization:				
Amortization of Intangible Property	\$ (948,120)	\$ (138,889)	\$ 14,013	\$ (1,072,996)
Buildings & Structures	\$ (32,859,058)	\$ (1,922,581)	\$ 53,962	\$ (34,727,677)
Improvements other than Buildings	\$ (87,957,997)	\$ (4,387,619)	\$ 1,306,975	\$ (91,038,641)
Equipment & Automotive	\$ (12,228,954)	\$ (1,391,621)	\$ 896,071	\$ (12,724,504)
Total Accumulated Depreciation/Amortization	\$ (133,994,129)	\$ (7,840,710)	\$ 2,271,021	\$ (139,563,818)
Business-Type Activities Capital Assets, net	\$ 230,248,658	\$ 22,876,514	\$ (6,183,571)	\$ 246,941,601

Notes to the Financial Statements

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

Governmental Activities:	Depreciation Expense
General Government	\$ 93,129
Public Safety	617,834
Public Works	1,910,958
Culture & Recreation	1,897,998
Conservation & Development	152,381
Total Depreciation Expense - Governmental Activities	\$ 4,672,300
Accumulated Depreciation related to Transfers of Capital Assets from Business-Type Activities	528,161
	\$ 5,200,461
Business-Type Activities:	
Sewer	\$ 1,953,757
Solid Waste	807,325
Airport	1,388,439
Electric	1,656,749
Water	1,435,035
Gas	466,032
Total Depreciation/Amortization Expense - Business-Type Activities	\$ 7,707,337
Accumulated Depreciation related to Transfers of Capital Assets from Governmental Activities	133,373
	\$ 7,840,710

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

Project	Contracted	Expended in 12/31/2024	Committed
Governmental Funds:			
Ice Complex	\$ 36,472,870	\$ 5,104,472	\$ 35,386,111
Bike Trail 3A & 3B	1,893,140	565,015	591,221
Pickleball Courts	624,760	620,762	620,762
City Hall Remodel	4,214,470	3,150,628	4,587,230
Street Facility (Design Phase)	-	262,039	1,190,940
Stormwater Project	-	-	14,750
Fire Truck - Chassis Build	193,825	58,825	58,825
Golf Course Patio	217,740	212,807	212,807
5th Ave N (Design Phase)	-	118,063	118,063
Wolf Exhibit (Design Phase)	-	27,965	27,965
	\$ 43,616,805	\$ 10,120,576	\$ 42,808,674
Enterprise Funds:			
Wastewater Treatment Facility Imp	\$ 58,319,500	\$ 6,232,783	\$ 9,208,482
10th Ave. NW - Street Facility Sewer	-	-	165,972
Taxiway D & Ag Spray Area	2,884,340	2,839,427	2,943,713
Taxiway C & B (Design Phase)	184,990	81,398	169,646
Airport Hangar Expansion (Design F	-	36,482	36,482
Electric System Force Account Proj	-	13,493	13,493
Water System Force Account Project	6,969,653	3,912,335	3,912,335
	\$ 68,358,483	\$ 13,115,918	\$ 16,450,123

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 2024 and outstanding balances as of December 31, 2024 follows:

	Balance Outstanding 01/01/2024	Additions During 2024	Deletions During 2024	Balance Outstanding 12/31/2024	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	184,444	-	146,910	37,534	37,534
State Revolving Fund-Loan #7 CW; Original Issue \$847,170; 2.25% interest; due in 2029	248,740	-	45,148	203,592	46,173
State Revolving Fund-Loan #7 NPS; Original Issue \$81,205; 2.25% interest; due in 2029	24,957	-	4,530	20,427	4,633
State Revolving Fund-Loan #12 CW; Original Issue \$5,000,000; 2.25% interest; due in 2042	4,085,555	-	177,248	3,908,307	181,270
State Revolving Fund-Loan #13 CW; Original Issue \$2,500,000; 2.00% interest; due in 2043	2,010,548	-	81,234	1,929,314	85,701
State Revolving Fund-Loan #14 CW; Original Issue \$19,819,800; 2.125% interest; due in 2053	2,895,446	1,958,527	-	4,853,973	-
State Revolving Fund- Loan #2 DW; Original Issue \$699,748; 1.875% interest, due 2045	-	682,516	-	682,516	-
State Revolving Fund- Loan #4 DW; Original Issue \$3,403,610; 1.875% interest, due 2056	-	412,075	-	412,075	-
State Revolving Fund- Loan #5 DW; Original Issue \$2,339,050; 1.875% interest, due 2055	-	1,177,715	-	1,177,715	-
Wastewater Revenue Refunding Bonds, 2020C & 2020D \$6,330,000; 0.5-2.00% interest, due in 2031	4,885,000	-	585,000	4,300,000	590,000
Water Revenue Refunding Bonds, 2020A & 2020B \$11,060,000; .85-2.25% interest, due in 2028	6,575,000	-	1,445,000	5,130,000	855,000
State Revolving Fund Loan #2018G Landfill Stormwater Issue \$108,000; 2.0% interest; due in 2026	40,309	-	15,884	24,425	16,203
State Revolving Fund Loan #461029-15 Landfill Cell #7 Issue \$1,428,000; 2.0% interest; due in 2043	1,398,804	-	59,272	1,339,532	60,466
Total Loans Payable	22,348,803	4,230,833	2,560,226	24,019,410	1,876,980
*Compensated Absences Payable	2,341,332	180,849	-	2,522,181	630,544
Other Post-Employment Benefits (OPEB)	233,816	191,009	-	424,825	-
Closure/Post Closure Costs	1,300,846	-	-	1,300,846	-
Unamortized Premium on Bonds	197,953	-	37,161	160,792	37,162
TOTAL BUSINESS-TYPE ACTIVITIES				28,428,054	2,544,686

City of Watertown
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Notes to the Financial Statements

	Balance Outstanding 01/01/2024	Additions During 2024	Deletions During 2024	Balance Outstanding 12/31/2024	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	915,000	-	305,000	610,000	315,000
2020 Sales Tax Revenue - Refunding					
Bond - 2012, 2014, 2015B & 2015C					
\$21,760,000; 2.0-4.00% interest; due in 2034	17,240,000	-	1,675,000	15,565,000	1,340,000
2021 Sales Tax Revenue - Series 2021					
Bond - 10th Ave and City Hall Remodel					
\$7,370,000; 2.0-3.00% interest; due in 2041	6,650,000	-	300,000	6,350,000	310,000
2022 Sales Tax Revenue - Series 2022					
Bond - Ice Arena					
\$18,570,000; 3.0-5.00% interest; due in 2051	17,740,000	-	335,000	17,405,000	350,000
2022 Sales Tax Revenue - Series 2022B					
Bond - Street Facility					
\$7,310,000; 3.375-5.00% interest; due in 2042	6,955,000	-	240,000	6,715,000	250,000
2022 Sales Tax Revenue - Series 2022C					
Bond - Ice Arena					
\$10,050,000; 1.90-5.00% interest; due in 2051	9,950,000	-	190,000	9,760,000	200,000
Total Sales Revenue Bonds	59,450,000	-	3,045,000	56,405,000	2,765,000
Bond Issued:					
2021 Tax Increment Bonds					
TIF #11 - Project, \$2,000,000; 3.55% interest; due in 2041	1,857,863	-	74,776	1,783,087	77,678
Total Tax Increment Bonds	1,857,863	-	74,776	1,783,087	77,678
Loans Payable:					
State Revolving Fund Loan #6-CW; Original Issue					
\$1,189,145; 2.25% interest; due in 2029	373,324	-	64,496	308,828	65,959
State Revolving Fund Loan #6-NPS; Original Issue					
\$113,985; 2.25% interest; due in 2028	31,870	-	6,430	25,440	6,576
State Revolving Fund-Loan #8-CW; Original Issue					
\$612,877; 2.25% interest; due in 2029	161,362	-	29,288	132,074	29,953
State Revolving Fund-Loan #8-NPS; Original Issue					
\$58,747; 2.25% interest; due in 2029	18,055	-	3,277	14,778	3,352
State Revolving Fund-Loan #10-CW; Original Issue					
\$3,330,000; 3.0% interest; due in 2031	1,198,662	-	144,730	1,053,932	149,121
State Revolving Fund-Loan #11-CW; Original Issue					
\$815,000; 3.0% interest; due in 2032	95,876	-	10,057	85,819	10,362
Total Loans Payable	1,879,149	-	258,278	1,620,871	265,323
Direct Financing Leases					
Street Equipment - Tax Exempt Leasing Corp. - 5.09-5.89%	-	868,770	134,365	734,405	122,931
Total Direct Financing Leases	-	868,770	134,365	734,405	122,931
*Compensated Absences Payable	2,986,549	263,338	-	3,249,887	812,472
Other Post-Employment Benefits (OPEB)	1,203,437	307,330	-	1,510,767	-
Unamortized Premium on Bonds	3,551,007	-	201,277	3,349,730	201,276
				8,110,384	1,013,748
TOTAL GOVERNMENTAL ACTIVITIES				68,653,747	4,244,680
TOTAL OF BONDS AND INSTALLMENT CONTRACTS				\$ 97,081,801	\$ 6,789,366

* Change in compensated absences is presented as net.

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.

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. 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 \$4,853,973 and had not been completed before December 31, 2024. No amortization schedule was available for SRF Loan No. 14.

SRF Loan No. 2 Drinking Water was approved for \$699,748 for various improvements to the Water system. The drawdown amount on this loan was \$682,516 and had not been completed before December 31, 2024. No amortization schedule was available for SRF Loan No. 2.

SRF Loan No. 4 Drinking Water was approved for \$3,403,610 for various improvements to the Water system. The drawdown amount on this loan was \$412,075 and had not been completed before December 31, 2024. No amortization schedule was available for SRF Loan No. 4.

SRF Loan No. 5 Drinking Water was approved for \$2,339,050 for various improvements to the Water system. The drawdown amount on this loan was \$1,177,715 and had not been completed before December 31, 2024. No amortization schedule was available for SRF Loan No. 5.

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

SRF Loan #5				SRF Loan #7			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2025	\$ 37,534	\$ 328	\$ 37,862	2025	\$ 46,173	\$ 4,193	\$ 50,366
Totals	\$ 37,534	\$ 328	\$ 37,862	2026	47,220	3,145	50,365
				2027	48,291	2,074	50,365
				2028	49,387	978	50,365
				2029	12,521	71	12,592
				Totals	\$ 203,592	\$ 10,461	\$ 214,053

SRF Loan #7-NPS				Wastewater System Revenue Bonds Series 2020 - Refunding			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2025	\$ 4,633	\$ 421	\$ 5,054	2025	\$ 590,000	\$ 62,995	\$ 652,995
2026	4,738	316	5,054	2026	595,000	55,073	650,073
2027	4,845	208	5,053	2027	605,000	47,075	652,075
2028	4,955	98	5,053	2028	615,000	40,975	655,975
2029	1,256	7	1,263	2029	620,000	31,700	651,700
Totals	\$ 20,427	\$ 1,050	\$ 21,477	2030-31	1,275,000	25,650	1,300,650
				Totals	\$ 4,300,000	\$ 263,468	\$ 4,563,468

Notes to the Financial Statements

Water System Revenue Bonds Series 2020 - Refunding

Year	Principal	Interest	Total
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	\$ 5,130,000	\$ 228,472	\$ 5,358,472

Solid Waste Management Loan Series 2018

Year	Principal	Interest	Total
2025	16,203	408	16,611
2026	8,222	82	8,304
Totals	\$ 24,425	\$ 490	\$ 24,915

SRF Loan #12

Year	Principal	Interest	Total
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	198,291	69,394	267,685
2030-34	1,061,020	277,401	1,338,421
2035-39	1,186,983	151,438	1,338,421
2040-42	711,880	24,251	736,131
Totals	\$ 3,908,307	\$ 843,088	\$ 4,751,395

SRF Loan #15

Year	Principal	Interest	Total
2025	\$ 60,466	\$ 26,339	\$ 86,805
2026	61,686	25,121	86,807
2027	62,928	23,877	86,805
2028	64,196	22,610	86,806
2029	65,489	21,316	86,805
2030-34	347,782	86,245	434,027
2035-39	384,263	49,765	434,028
2040-43	292,722	11,095	303,817
Totals	\$ 1,339,532	\$ 266,368	\$ 1,605,900

SRF Loan #13

Year	Principal	Interest	Total
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	92,820	30,827	123,647
2030-34	492,920	125,315	618,235
2035-39	544,626	73,609	618,235
2040-43	445,643	18,033	463,676
Totals	\$ 1,929,314	\$ 389,067	\$ 2,318,381

Notes to the Financial Statements

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 governmental activities.

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

2015 Sales Tax Revenue Bonds - Refunding			
Year	Principal	Interest	Total
2025	\$ 315,000	\$ 19,825	\$ 334,825
2026	295,000	9,588	304,588
Totals	<u>\$ 610,000</u>	<u>\$ 29,413</u>	<u>\$ 639,413</u>

2020 Sales Tax Revenue Bonds – Refunding			
Year	Principal	Interest	Total
2025	\$ 1,340,000	\$ 443,000	\$ 1,783,000
2026	1,400,000	389,400	1,789,400
2027	1,450,000	333,400	1,783,400
2028	1,490,000	289,900	1,779,900
2029	1,540,000	245,200	1,785,200
2030-34	8,345,000	557,500	8,902,500
Totals	<u>\$ 15,565,000</u>	<u>\$ 2,258,400</u>	<u>\$ 17,823,400</u>

2021 Sales Tax Revenue Bonds			
Year	Principal	Interest	Total
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	340,000	116,235	456,235
2030-34	1,805,000	465,875	2,270,875
2035-39	2,040,000	228,840	2,268,840
2040-41	880,000	29,150	909,150
Totals	<u>\$ 6,350,000</u>	<u>\$ 1,373,040</u>	<u>\$ 7,723,040</u>

2022 Sales Tax Revenue Bonds			
Year	Principal	Interest	Total
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	425,000	591,100	1,016,100
2030-34	2,455,000	2,620,150	5,075,150
2035-39	3,020,000	2,055,400	5,075,400
2040-44	3,680,000	1,401,200	5,081,200
2045-49	4,380,000	693,000	5,073,000
2050-51	1,940,000	87,750	2,027,750
Totals	<u>\$ 17,405,000</u>	<u>\$ 10,005,750</u>	<u>\$ 27,410,750</u>

Notes to the Financial Statements

2022 Sales Tax Revenue Bonds - 2022B				2022 Sales Tax Revenue Bonds - 2022C			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2025	\$ 250,000	\$ 265,769	\$ 515,769	2025	\$ 200,000	\$ 399,712	\$ 599,712
2026	265,000	253,269	518,269	2026	210,000	389,713	599,713
2027	280,000	240,019	520,019	2027	220,000	379,213	599,213
2028	290,000	226,019	516,019	2028	230,000	368,213	598,213
2029	305,000	211,519	516,519	2029	240,000	356,712	596,712
2030-34	1,755,000	695,875	2,450,875	2030-34	1,380,000	1,607,362	2,987,362
2035-39	2,115,000	476,137	2,591,137	2035-39	1,675,000	1,312,645	2,987,645
2040-42	1,455,000	102,900	1,557,900	2040-44	2,025,000	965,000	2,990,000
Totals	\$ 6,715,000	\$ 2,471,507	\$ 9,186,507	2045-49	2,455,000	527,200	2,982,200
				2050-51	1,125,000	68,000	1,193,000
				Totals	\$ 9,760,000	\$ 6,373,770	\$ 16,133,770

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:

Notes to the Financial Statements

SRF Loan #6 CW

Year	Principal	Interest	Total
2025	\$ 65,959	\$ 6,395	\$ 72,354
2026	67,456	4,898	72,354
2027	68,987	3,367	72,354
2028	70,552	1,802	72,354
2029	35,874	303	36,177
Totals	\$ 308,828	\$ 16,765	\$ 325,593

SRF Loan #6 NPS

Year	Principal	Interest	Total
2025	\$ 6,576	\$ 517	\$ 7,093
2026	6,726	368	7,094
2027	6,878	215	7,093
2028	5,260	60	5,320
Totals	\$ 25,440	\$ 1,160	\$ 26,600

SRF Loan #8 CW

Year	Principal	Interest	Total
2025	\$ 29,953	\$ 2,720	\$ 32,673
2026	30,632	2,040	32,672
2027	31,328	1,345	32,673
2028	32,038	635	32,673
2029	8,123	45	8,168
Total	\$ 132,074	\$ 6,785	\$ 138,859

SRF Loan #8 NPS

Year	Principal	Interest	Total
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	909	5	914
Total	\$ 14,778	\$ 759	\$ 15,537

SRF Loan #10

Year	Principal	Interest	Total
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	168,058	11,014	179,072
2030-31	261,693	6,912	268,605
Totals	\$ 1,053,932	\$ 110,031	\$ 1,163,963

SRF Loan #11

Year	Principal	Interest	Total
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	11,678	1,143	12,821
2030-32	30,769	1,283	32,052
Totals	\$ 85,819	\$ 10,336	\$ 96,155

Notes to the Financial Statements

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	
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	89,587	51,574		141,161
2030-34	499,037	207,767		706,804
2035-39	596,523	109,282		705,805
2040-41	270,042	12,279		282,321
Totals	\$ 1,783,087	\$ 617,648	\$	2,400,735

Direct Financing Leases

The City approved multiple direct financing leases for the purchase of various street maintenance equipment. Annual debt service requirements to maturity for the direct financing leases are as follows:

Direct Financing Leases				
Year	Principal	Interest	Total	
2025	\$ 122,931	\$ 34,891	\$	157,822
2026	129,492	32,932		162,424
2027	136,404	26,020		162,424
2028	143,688	18,736		162,424
2029	151,361	11,062		162,423
2030	50,529	2,976		53,505
Totals	\$ 734,405	\$ 126,617	\$	861,022

Notes to the Financial Statements

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)
2024 Assessed Value	<u>\$2,859,272,988</u>		
Maximum Debt Capacity:	\$ -	\$ 142,963,649	\$ 285,927,299
Existing Bonds:			
SRF Loan No. 5 (Wastewater Revenue Surcharge)	37,534	-	-
SRF Loan No. 6-CW (Sales Tax)	-	308,828	-
SRF Loan No. 6-NPS (Sales Tax)	-	25,440	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	203,592	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	20,427	-	-
SRF Loan No. 8-CW (Sales Tax)	-	132,074	-
SRF Loan No. 8-NPS (Sales Tax)	-	14,778	-
SRF Loan No. 10-CW (Sales Tax)	-	1,053,932	-
SRF Loan No. 11-CW (Sales Tax)	-	85,819	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	3,908,307	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	1,929,314	-	-
SRF Loan No. 14-CW (Wastewater Revenue Surcharge)	4,853,973	-	-
Wastewater Revenue Bonds - 2020 Refunding	4,300,000	-	-
Water Revenue Bonds - 2020 Refunding	5,130,000	-	-
SRF Loan No. 2 - DW (Water Revenue Surcharge)	682,516	-	-
SRF Loan No. 4 - DW (Water Revenue Surcharge)	412,075	-	-
SRF Loan No. 5 - DW (Water Revenue Surcharge)	1,177,715	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue	24,425	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste R	1,339,532	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	610,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	15,565,000	-
2021 Sales Tax Revenue Bonds	-	6,350,000	-
2022 Sales Tax Revenue Bonds	-	17,405,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	6,715,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	9,760,000	-
2021 Tax Increment Bond	-	1,783,087	-
Direct Financing Leases	-	734,405	-
Total Bonded Debt	<u>24,019,410</u>	<u>60,543,363</u>	-
Total Debt	24,019,410	60,543,363	-
Available Debt Capacity	<u>N/A</u>	<u>\$ 82,420,286</u>	<u>\$ 285,927,299</u>

Notes to the Financial Statements

The State Constitution sets two legal debt limits on municipalities. The City has an unrestricted (i.e. for any legally authorized purpose) legal debt limit equal to 5% of the total assessed value of taxable property. In addition, the Constitution permits the City to issue debt for water or sewer improvements in an amount up to 10% of the total assessed value of taxable property. Water or sewer debt that applies against the 10% limit does not apply against the 5% limit. However, certain requirements, including a public vote, must be met in order for water or sewer debt to apply against the 10% limit. Also, revenue bonded indebtedness that is secured by a surcharge on utility charges as well as annual appropriation leases have been determined not to be debt in determining municipal debt capacity and is referred to above as "no-limit" debt. The table above summarizes the legal debt limit and available debt capacity for the City as of December 31, 2024.

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. 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, 2024, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$445,903.

K. Leases

The leases have receipts that range from \$403 to \$487,805 and interest rates that range from 1.41 percent to 4.47 percent. As of December 31, 2024, the total combined value of the lease receivable is \$1,848,135, the total combined value of the short-term lease receivable is \$683,679, and the combined value of the deferred inflow of resources is \$3,863,144. The leases had \$0 of Variable Receipts and \$0 of Other Receipts, not included in the Lease Receivable, within the Fiscal Year. The City received lease and interest revenue of \$1,359,282 and \$57,780 respectively, during the year ended December 31, 2024. Remaining principal and interest payments to be received on leases is as follows:

Governmental Funds				Enterprise Funds			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2025	\$ 566,678	\$ 40,322	\$ 607,000	2025	\$ 117,001	\$ 11,548	\$ 128,549
2026	581,814	25,186	607,000	2026	71,602	7,677	79,279
2027	97,370	9,629	106,999	2027	32,098	5,586	37,684
2028	100,863	6,137	107,000	2028	25,900	4,637	30,537
2029	75,726	2,774	78,500	2029	26,577	3,940	30,517
2030	48,780	1,220	50,000	2030-34	34,960	11,600	46,560
Totals	<u>\$ 1,471,231</u>	<u>\$ 85,268</u>	<u>\$ 1,556,499</u>	2035-39	31,400	7,532	38,932
				2040-44	30,683	3,530	34,213
				2045-48	6,682	585	7,267
				Totals	<u>\$ 376,904</u>	<u>\$ 56,635</u>	<u>\$ 433,539</u>

Notes to the Financial Statements

L. 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, 2024, 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 \$1,830,814 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2024. The City expects to close the landfill in the year 2059. 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, 2024, 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.

	2024	2023	2022
Closure/Postclosure Liability	\$1,300,846	\$1,300,846	\$1,300,846

M. Retirement Plan

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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. 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://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

Notes to the Financial Statements

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.

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, 2024, 2023, and 2022 were \$1,454,864, \$1,360,159 and \$1,306,514, 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, 2024, SDRS is 100.0% 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 Municipality as of this measurement period ending June 30, 2024, and reported by the Municipality as of December 31, 2024, are as follows:

Proportionate share of total pension liability	\$ 128,937,492
Less proportionate share of net position restricted for pension benefits	<u>(128,972,474)</u>
Proportionate share of net pension liability (asset)	<u>\$ (34,982)</u>

At December 31, 2024, the City reported an asset of \$34,982 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024 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, 2024 the City's proportion was .864293%, which is an decrease of .00014579% from its proportion measured as of June 30, 2023.

Notes to the Financial Statements

For the year ended December 31, 2024, the City recognized pension expense of \$939,538. At December 31, 2024 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	\$ 3,239,760	\$ -
Changes in assumption	576,822	4,396,865
Net Difference between projected and actual earnings on pension plan investments	1,317,846	-
Changes in proportion and difference between the City contributions and proportionate share of contributions	30,668	20,577
City contributions subsequent to the measurement date	731,922	-
Total	<u>\$ 5,897,018</u>	<u>\$ 4,417,442</u>

\$731,922 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, 2025. 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:	
2025	(1,225,837)
2026	1,686,112
2027	172,023
2028	105,265
Total	<u>\$ 737,563</u>

Actuarial Assumptions

The total pension asset in the June 30, 2024 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 1.71%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2021.

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

Notes to the Financial Statements

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (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%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

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)	\$ 17,778,177	\$ (34,982)	\$ (14,611,703)

Pension Plan Fiduciary Net Position

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

Notes to the Financial Statements

N. 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. The OPEB plan is not administered through a trust or equivalent arrangement and no assets are accumulated.

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, 2024, the following number of current and former employees were covered by the benefit terms:

Active Employees	268
Actives waiving coverage	17
Retirees electing coverage	9
Total	294

Notes to the Financial Statements

Total OPEB Liability- The City's total OPEB liability of \$1,935,592 was measured as of December 31, 2023 and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions - The total OPEB liability in the December 31, 2022 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	3.77%
Health Care Cost Trend Rate	6.90% - 3.9% over 51 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 3.77%, 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, 2023 valuation were based on the results of an actuarial experience study using the "lookback" method. The measurement date is December 31, 2023.

	Total OPEB Liability
Total OPEB Liability Beginning of Year, Restated	\$1,437,253
Changes for the Year:	
Service Cost	76,645
Interest	60,080
Differences between expected and actual experience	266,069
Changes of assumptions	156,416
Changes of benefit terms	-
Employer Contributions	(60,871)
Total OPEB Liability End of Year	\$1,935,592

Changes of assumptions reflect a change in the discount rate from 4.05% in 2022 to 3.77% in 2023.

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 (2.77%) or 1% higher (4.77%) than the current discount rate of 4.05%.

	1% Decrease (2.77%)	Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB Liability	\$ 2,127,440	\$ 1,935,592	\$ 1,764,608

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 (5.90% decreasing to 2.90%) or 1% higher (7.90% decreasing to 4.90%) than the current healthcare cost trend rates.

	1% Decrease (5.90% decreasing to 2.90%)	Discount Rate (6.90% decreasing to 3.90%)	1% Increase (7.90% decreasing to 4.90%)
Total OPEB Liability	\$ 1,731,927	\$ 1,935,592	\$ 2,179,250

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 \$480,819, At December 31, 2024, 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	\$ 467,512	\$ 323,937
Difference between expected and actual liability	777,708	50,959
City contributions between measurement date and reporting date	108,834	N/A
Total	\$ 1,354,054	\$ 374,896

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

Year Ended December 31,	
2025	\$ 190,255
2026	187,756
2027	186,509
2028	142,085
2029	100,410
Thereafter	88,526
Total	\$ 895,541

O. 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.

Notes to the 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, 2024, the City managed its risks as follows:

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, 2024, one claim was filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$308. 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

Notes to the Financial Statements

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.

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.

NOTE 5. Restatement

Change in Accounting Principle

As of January 1, 2024, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for consistent recognition and measurement of the compensated absence liability. The effect of the adoption of this standard on beginning net position is shown in the table below.

Change within the Reporting Entity

During fiscal year 2024, there was a change within the financial reporting entity which resulted in the Park & Recreation Fund being reported as a major fund instead of as a nonmajor fund. As such, beginning fund balance was reclassified from nonmajor to presented as a major fund. During fiscal year 2024, there was a change within the financial reporting entity which resulted in the Capital Projects Fund being reported as a nonmajor fund instead of as a major fund. As such, beginning fund balance was reclassified from major to presented as a nonmajor fund. The effect of the change on beginning fund balances are shown in the table below.

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the City determined that there were certain errors in amounts previously reported in the December 31, 2023 financial statements resulting in a restatement of the beginning net position and fund balance. This was due to two naming rights and sponsorship agreements not being reported in accordance with GASB Statement No. 87, *Leases*. The effect of this correction on beginning net position and fund balances are shown in the table below.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, changes to or within the reporting entity, correction of errors, and changes in accounting principles resulted in adjustments to and restatements of beginning net position and fund net position/fund balance as follows:

City of Watertown
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Notes to the Financial Statements

	1/1/2024 As Previously Reported	Change in Accounting Principle	Change to or within the Financial Reporting Entity	Error Correction	1/1/2024 As Restated
Government-Wide					
Governmental Activities	\$ 181,214,827	\$ (551,621)	\$ -	\$ (1,410,285)	\$ 179,252,921
Business-Type Activities	262,810,873	(530,981)	-	-	262,279,892
Total Primary Government	<u>\$ 444,025,700</u>	<u>\$ (1,082,602)</u>	<u>\$ -</u>	<u>\$ (1,410,285)</u>	<u>\$ 441,532,813</u>
Governmental Funds					
Major Funds:					
Park & Recreation Fund	\$ -	\$ -	\$ 2,946,043	\$ -	\$ 2,946,043
Capital Projects Fund	5,903,586	-	(5,903,586)	-	-
Capital Improvement Fund	26,302,472	-	-	(1,410,285)	24,892,187
Nonmajor Funds	11,073,038	-	2,957,543	-	14,030,581
Total Governmental Funds	<u>\$ 43,279,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,410,285)</u>	<u>\$ 41,868,811</u>
Proprietary Funds					
Sewer Fund	\$ 69,187,970	\$ (55,170)	\$ -	\$ -	\$ 69,132,800
Electric Fund	60,463,660	(121,723)	-	-	60,341,937
Water Fund	35,137,638	(47,048)	-	-	35,090,590
Gas Fund	31,155,020	(210,411)	-	-	30,944,609
Airport Fund	54,932,418	(35,788)	-	-	54,896,630
Other Proprietary Funds	11,934,167	(60,841)	-	-	11,873,326
Total Proprietary Funds	<u>\$ 262,810,873</u>	<u>\$ (530,981)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,279,892</u>

If these amounts had been previously reported in the prior year, the change in net position and change in fund balance would have been adjusted as follows for the year ended December 31, 2024:

	12/31/2023 As Previously Reported	Error Correction	12/31/2023 As Restated
Government-Wide			
Governmental Activities	<u>\$ 9,651,642</u>	<u>\$ (594,468)</u>	<u>\$ 9,057,174</u>
Governmental Funds			
Capital Improvement Fund	<u>\$ 1,490,799</u>	<u>\$ (594,468)</u>	<u>\$ 896,331</u>

City of Watertown
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Year Ended December 31, 2024

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue				
Property	\$ 4,289,100	\$ 4,289,100	\$ 4,355,825	\$ 66,725
Sales	9,670,000	9,670,000	10,662,829	992,829
Other Taxes	300,000	300,000	261,398	(38,602)
Licenses & Permits	471,250	471,250	544,565	73,315
Intergovernmental	1,162,000	1,162,000	1,248,106	86,106
Charges for Goods and Services	1,625,800	1,625,800	2,191,281	565,481
Fines and Forfeits	30,000	30,000	37,089	7,089
Interest Revenue	150,000	150,000	550,473	400,473
Rentals	-	-	1,914	1,914
Special Assessments	40,000	40,000	123,682	83,682
Donations/Contributions	20,000	20,000	38,911	18,911
Miscellaneous	120,500	120,500	249,336	128,836
Total Revenues	17,878,650	17,878,650	20,265,409	2,386,759
EXPENDITURES				
General Government				
Legislative	545,540	545,540	202,608	342,932
Financial Administration	1,852,700	1,892,660	1,586,231	306,429
Other	2,192,400	2,239,650	1,802,415	437,235
Public Safety				
Police	5,297,800	5,530,360	5,423,709	106,651
Fire Fighting & Prevention	1,390,360	1,462,860	1,373,183	89,677
Ambulance Service	3,711,650	3,719,250	3,634,340	84,910
Public Works				
Administration	303,610	308,760	308,010	750
Highways, Streets and Roadways	2,080,250	2,080,250	1,981,924	98,326
Snow Removal	618,800	618,800	363,654	255,146
Street Lighting	870,000	870,000	868,159	1,841
Storm Sewer/Flood/Control	57,270	57,270	32,767	24,503
Cemetery	310,850	328,650	295,546	33,104
Health and Welfare				
Mosquito Control	121,240	138,140	110,793	27,347
Animal Control	225,910	235,910	223,556	12,354
Culture and Recreation				
Forestry	494,700	521,820	475,877	45,943
Library	1,254,500	1,254,500	1,108,619	145,881
Conservation and Development				
Building Services	573,700	573,700	516,347	57,353
Total Expenditures	21,901,280	22,378,120	20,307,738	2,070,382
Excess (deficiency) of revenues over expenditures	(4,022,630)	(4,499,470)	(42,329)	4,457,141
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	-	-	31,096	31,096
Transfers In	3,038,500	3,038,500	3,038,500	-
Transfers (Out)	(2,575,000)	(2,675,000)	(2,575,000)	100,000
Total other financing sources (uses)	463,500	363,500	494,596	131,096
Net Change in fund balances	(3,559,130)	(4,135,970)	452,267	4,588,237
Fund Balances - beginning	13,479,074	13,479,074	13,479,074	-
Fund Balances - ending	\$ 9,919,944	\$ 9,343,104	\$ 13,931,341	\$ 4,588,237

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for Goods and Services	\$ 2,297,300	\$ 2,297,300	\$ 2,164,575	\$ (132,725)
Interest Revenue	25,000	25,000	146,121	121,121
Rentals	152,050	152,050	562,646	410,596
Donations/Contributions	47,500	47,500	67,396	19,896
Miscellaneous	33,250	33,250	41,447	8,197
Total revenues	2,555,100	2,555,100	2,982,185	427,085
EXPENDITURES				
Culture and Recreation	6,048,370	6,626,670	6,111,755	514,915
Total expenditures	6,048,370	6,626,670	6,111,755	514,915
Excess (deficiency) of revenues over expenditures	(3,493,270)	(4,071,570)	(3,129,570)	942,000
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	5,000	5,000	10,628	5,628
Transfers In	2,600,000	2,600,000	2,600,000	-
Total other financing sources (uses)	2,605,000	2,605,000	2,610,628	5,628
Net change in fund balances	(888,270)	(1,466,570)	(518,942)	947,628
Fund balances -- beginning	2,946,043	2,946,043	2,946,043	-
Fund balances -- ending	\$ 2,057,773	\$ 1,479,473	\$ 2,427,101	\$ 947,628

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 9,670,000	\$ 9,670,000	\$ 10,662,829	\$ 992,829
Intergovernmental	850,000	850,000	1,355,430	505,430
Interest Revenue	350,000	350,000	1,340,180	990,180
Donations/Contributions	-	-	2,155,186	2,155,186
Miscellaneous	-	-	112,796	112,796
Total Revenues	<u>10,870,000</u>	<u>10,870,000</u>	<u>15,626,421</u>	<u>4,756,421</u>
EXPENDITURES				
Public Safety				
Public Safety Improvements	15,000	80,000	63,609	16,391
Public Safety Equipmet/Vehicls	1,055,000	1,463,630	1,327,242	136,388
Public Works				
Public Works Equipment/Vehciles	238,000	238,000	144,919	93,081
Street System Improvements	6,999,000	8,164,300	6,031,381	2,132,919
Storm Sewer/Flood Projects	150,000	1,865,300	549,981	1,315,319
Health and Welfare				
Health & Welfare Equipment/Vehicles	48,000	48,000	-	48,000
Culture and Recreation				
Park & Recreation Equipment/Vehicles	511,000	511,000	449,962	61,038
Recreational Facility Improvements	1,830,000	4,964,000	2,886,457	2,077,543
Conservation and Development				
Industrial Park & Other Infrastructure	265,400	299,200	271,772	27,428
Debt Service	<u>5,670,760</u>	<u>5,670,760</u>	<u>5,573,986</u>	<u>96,774</u>
Total Expenditures	<u>16,782,160</u>	<u>23,304,190</u>	<u>17,299,309</u>	<u>6,004,881</u>
Excess (deficiency) of revenues over expenditures	<u>(5,912,160)</u>	<u>(12,434,190)</u>	<u>(1,672,888)</u>	<u>10,761,302</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(491,500)</u>	<u>(2,031,500)</u>	<u>(2,017,617)</u>	<u>13,883</u>
Total other financing sources (uses)	<u>(491,500)</u>	<u>(2,031,500)</u>	<u>(2,017,617)</u>	<u>13,883</u>
Net Change in fund balances	<u>(6,403,660)</u>	<u>(14,465,690)</u>	<u>(3,690,505)</u>	<u>10,775,185</u>
Fund Balances - beginning, as previously reported	26,302,472	26,302,472	26,302,472	-
Adjustment - Note 5	-	-	(1,410,285)	-
Fund Balances - beginning, as restated	26,302,472	26,302,472	24,892,187	1,410,285
Fund Balances - ending	<u>\$ 19,898,812</u>	<u>\$ 11,836,782</u>	<u>\$ 21,201,682</u>	<u>\$ 10,775,185</u>

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, 2024.

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.

Further breakdown related to GASB No. 100, *Accounting Changes and Error Corrections* can be found in Notes Section No. 5.

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

	2018	2019	2020	2021	2022	2023	2024
Service Cost	\$ 56,742	\$ 65,202	\$ 63,076	\$ 85,138	\$ 100,697	\$ 153,970	\$ 76,645
Interest	48,505	43,994	47,636	54,529	42,236	54,514	60,080
Differences Between Expected and Actual Experience	-	-	682,830	-	413,831	(67,163)	266,069
Changes of Assumptions	49,791	(41,154)	1,906	109,071	408,282	(377,436)	156,416
Changes of Benefit Terms	-	-	-	-	-	(1,042,168)	-
Employer Contributions	(107,794)	(107,184)	(114,885)	(122,357)	(148,428)	(186,383)	(60,871)
Benefit Payments	-	-	-	-	-	-	-
Net Change in Total OPEB Liability	47,244	(39,142)	680,563	126,381	816,618	(1,464,666)	498,339
Total OPEB Liability Beginning of Year	<u>1,270,255</u>	<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>
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>	<u>\$ 1,935,592</u>

* Due to the unavailability of historical data, we were not able to present ten years of data.
There are no assets accumulated in a trust to pay related benefits for the OPEB Plan.

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, 2024	3.77%
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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Municipality's proportion of the net pension liability (asset)	0.879797%	0.879573%	0.852118%	0.844764%	0.846238%	0.850938%	0.868843%	0.870292%	0.878872%	0.864293%
Municipality's proportionate share of net pension liability (asset)	\$ (3,731,471)	\$ 2,971,110	\$ (77,328)	\$ (19,701)	\$ (89,678)	\$ (36,956)	\$ (6,653,845)	\$ (82,242)	\$ (85,777)	\$ (34,982)
Municipality's covered payroll	\$ 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	\$ 22,148,185
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-25.94%	19.40%	-0.49%	-0.12%	-0.54%	-0.22%	-36.81%	-0.43%	-0.41%	-0.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%	105.52%	100.10%	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, 2024, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

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, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution	\$ 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	\$ 1,454,864
Contributions in relation to the contractually required contribution	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	1,454,864
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered payroll	\$ 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	\$ 22,618,820
Contributions as a percentage of covered payroll	6.53%	6.55%	6.53%	6.53%	6.52%	6.54%	6.55%	6.56%	6.37%	6.43%

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
December 31, 2024	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
December 31, 2024	\$242,069	\$242,069

Combining Balance Sheet - Nonmajor Governmental Funds

	Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
ASSETS			
Pooled Cash and Investments	\$ 2,688,259	\$ 10,693,323	\$ 13,381,582
Property Taxes Receivable	38,796	-	38,796
Sales Tax Receivable	134,063	-	134,063
Accounts Receivable	246,630	-	246,630
Loans Receivable	1,796,864	-	1,796,864
Due From Other Governments	21,889	-	21,889
Restricted Assets:			
Pooled Cash and Investments	3,058	-	3,058
Total assets	<u>4,929,559</u>	<u>10,693,323</u>	<u>15,622,882</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	129,121	2,022,565	2,151,686
Retainage Payable	-	141,883	141,883
Advance From Other Fund	4,733,556	-	4,733,556
Total liabilities	<u>4,862,677</u>	<u>2,164,448</u>	<u>7,027,125</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>360,115</u>	<u>-</u>	<u>360,115</u>
Total Deferred Inflows of Resources	<u>360,115</u>	<u>-</u>	<u>360,115</u>
FUND BALANCES			
Restricted for:			
Capital Projects	-	8,528,875	8,528,875
BBB Sales Tax	1,295,626	-	1,295,626
Event Center	3,058	-	3,058
E-911 Services	1,049,116	-	1,049,116
Library	208,811	-	208,811
Casualty Reserve	34,116	-	34,116
Assigned for:			
Other Purposes	48,109	-	48,109
Unassigned	<u>(2,932,069)</u>	<u>-</u>	<u>(2,932,069)</u>
Total fund balances	<u>(293,233)</u>	<u>8,528,875</u>	<u>8,235,642</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,929,559</u>	<u>\$ 10,693,323</u>	<u>\$ 15,622,882</u>

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

	Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
REVENUES			
Tax Revenue			
Property	\$ 1,413,001	\$ -	\$ 1,413,001
Sales	1,283,101	-	1,283,101
Charges for Goods and Services	2,272,694	-	2,272,694
Fines and Forfeits	13,689	-	13,689
Interest Revenue	118,871	1,078,237	1,197,108
Rentals	67,341	-	67,341
Donations/Contributions	235,787	-	235,787
Miscellaneous	25,999	-	25,999
Total revenues	<u>5,430,483</u>	<u>1,078,237</u>	<u>6,508,720</u>
EXPENDITURES			
Current:			
General Government	108,523	-	108,523
Public Safety	1,195,666	-	1,195,666
Public Works	-	3,417,686	3,417,686
Culture and Recreation	1,873,307	5,319,639	7,192,946
Conservation and Development	1,375,553	-	1,375,553
Debt Service	505,902	-	505,902
Total expenditures	<u>5,058,951</u>	<u>8,737,325</u>	<u>13,796,276</u>
Excess (deficiency) of revenues over expenditures	<u>371,532</u>	<u>(7,659,088)</u>	<u>(7,287,556)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	2,092,617	-	2,092,617
Transfers Out	(600,000)	-	(600,000)
Total other financing sources (uses)	<u>1,492,617</u>	<u>-</u>	<u>1,492,617</u>
Net Change in Fund Balances	1,864,149	(7,659,088)	(5,794,939)
Fund balances -- beginning, as previously reported	788,661	10,284,377	11,073,038
Adjustment Note 5	(2,946,043)	5,903,586	2,957,543
Fund balances -- beginning, as restated	(2,157,382)	16,187,963	14,030,581
Fund balances -- ending	<u>\$ (293,233)</u>	<u>\$ 8,528,875</u>	<u>\$ 8,235,642</u>

Combining Statements

Nonmajor Special Revenue Funds

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 Codington 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.

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.

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.

Combining Statements

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.

Tax Increment Financing 19 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #19. This TID was created to capture the incremental tax revenue generated by development of Willow Creek Development and to pay for site improvements and public use areas.

Tax Increment Financing 20 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #20. This TID was created to capture the incremental tax revenue generated by development of Sinclair Square and to pay for site improvements and public use areas.



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Combining Balance Sheet - Nonmajor Special Revenue Funds

	BBB Sales Tax Fund	Prairie Lakes Wellness Center Fund	Casualty Reserve Fund	E-911 Emergency Fund	Library Fines Fund	Tax Increment Financing 2 Fund	Tax Increment Financing 5 Fund
ASSETS							
Current assets:							
Pooled Cash and Investments	\$ 1,303,254	\$ 75,787	\$ 34,116	\$ 1,044,344	\$ 210,785	\$ -	\$ 3,652
Property Tax Receivable	-	-	-	-	-	-	971
Sales Tax Receivable	134,063	-	-	-	-	-	-
Accounts Receivable	-	86,750	-	159,880	-	-	-
Loans Receivable	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	21,889	-	-	-
Restricted Cash	3,058	-	-	-	-	-	-
Total assets	1,440,375	162,537	34,116	1,226,113	210,785	-	4,623
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	35,970	69,842	-	5,353	1,974	-	-
Advance From Other Fund	-	-	-	-	-	-	2,936,692
Total liabilities	35,970	69,842	-	5,353	1,974	-	2,936,692
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	105,721	82,750	-	171,644	-	-	-
Total Deferred Inflows of Resources	105,721	82,750	-	171,644	-	-	-
FUND BALANCES							
Restricted for:							
BBB Sales Tax	1,295,626	-	-	-	-	-	-
Event Center	3,058	-	-	-	-	-	-
E-911 Services	-	-	-	1,049,116	-	-	-
Library	-	-	-	-	208,811	-	-
Casualty Reserve	-	-	34,116	-	-	-	-
Assigned for:							
Other Purposes	-	9,945	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(2,932,069)
Total fund balances	1,298,684	9,945	34,116	1,049,116	208,811	-	(2,932,069)
Total liabilities, deferred inflows of resources and fund balance	\$ 1,440,375	\$ 162,537	\$ 34,116	\$ 1,226,113	\$ 210,785	\$ -	\$ 4,623

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Combining Balance Sheet - Nonmajor Special Revenue Funds(continued)

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	Tax Increment Financing 13 Fund	Tax Increment Financing 14 Fund
\$ -	\$ -	\$ -	\$ -	339	\$ -	\$ -	15,982
-	-	-	-	928	-	-	5,370
-	-	-	-	-	-	-	-
-	-	-	1,796,864	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,796,864	1,267	-	-	21,352
-	-	-	-	-	-	-	15,982
-	-	-	1,796,864	-	-	-	-
-	-	-	1,796,864	-	-	-	15,982
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,267	-	-	5,370
-	-	-	-	-	-	-	-
-	-	-	-	1,267	-	-	5,370
\$ -	\$ -	\$ -	\$ 1,796,864	\$ 1,267	\$ -	\$ -	21,352

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Combining Balance Sheet - Nonmajor Special Revenue Funds(continued)

	Tax Increment Financing 15 Fund	Tax Increment Financing 16 Fund	Tax Increment Financing 17 Fund	Tax Increment Financing 19 Fund	Tax Increment Financing 20 Fund	Total
ASSETS						
Current assets:						
Pooled Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	2,688,259
Property Tax Receivable	-	31,527	-	-	-	38,796
Sales Tax Receivable	-	-	-	-	-	134,063
Accounts Receivable	-	-	-	-	-	246,630
Loans Receivable	-	-	-	-	-	1,796,864
Due From Other Governments	-	-	-	-	-	21,889
Restricted Cash	-	-	-	-	-	3,058
Total assets	-	31,527	-	-	-	4,929,559
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	-	-	-	-	-	129,121
Advance From Other Fund	-	-	-	-	-	4,733,556
Total liabilities	-	-	-	-	-	4,862,677
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	-	360,115
Total Deferred Inflows of Resources	-	-	-	-	-	360,115
FUND BALANCES						
Restricted for:						
BBB Sales Tax	-	-	-	-	-	1,295,626
Event Center	-	-	-	-	-	3,058
E-911 Services	-	-	-	-	-	1,049,116
Library	-	-	-	-	-	208,811
Casualty Reserve	-	-	-	-	-	34,116
Assigned for:						
Other Purposes	-	31,527	-	-	-	48,109
Unassigned	-	-	-	-	-	(2,932,069)
Total fund balances	-	31,527	-	-	-	(293,233)
Total liabilities, deferred inflows of resources and fund balance	\$ -	\$ 31,527	\$ -	\$ -	\$ -	4,929,559



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

	Park & Recreation Fund Previously Reported as Non-major	BBB Sales Tax Fund	Prairie Lakes Wellness Center Fund	Casualty Reserve Fund	E-911 Emergency Fund	Library Fines Fund	Tax Increment Financing 2 Fund	Tax Increment Financing 5 Fund
REVENUES								
Tax Revenue								
Property		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,304	\$ 437,298
Sales		1,283,101	-	-	-	-	-	-
Charges for Goods and Services		-	1,503,199	-	769,495	-	-	-
Fines and Forfeits		-	-	-	-	13,689	-	-
Interest Revenue		58,586	6,276	1,268	43,400	9,341	-	-
Rentals		-	67,341	-	-	-	-	-
Donations/ Contributions		33,250	121,193	-	74,537	6,807	-	-
Miscellaneous		-	1,117	-	2,452	22,430	-	-
Total revenues		1,374,937	1,699,126	1,268	889,884	52,267	63,304	437,298
EXPENDITURES								
Current:								
General Government		108,523	-	-	-	-	-	-
Public Safety		-	-	-	1,195,666	-	-	-
Culture and Recreation		-	1,849,840	-	-	23,467	-	-
Conservation and Development		490,659	-	-	-	-	-	8,296
Debt Service		-	34,046	-	-	-	104,937	224,175
Total expenditures		599,182	1,883,886	-	1,195,666	23,467	104,937	232,471
Excess (deficiency) of revenues over expenditures		775,755	(184,760)	1,268	(305,782)	28,800	(41,633)	204,827
OTHER FINANCING SOURCES (USES)								
Transfers In		-	-	-	425,000	-	1,526,117	-
Transfers Out		(600,000)	-	-	-	-	-	-
Total other financing sources (uses)		(600,000)	-	-	425,000	-	1,526,117	-
Net change in fund balances		175,755	(184,760)	1,268	119,218	28,800	1,484,484	204,827
Fund balances -- beginning, as previously	2,946,043	1,122,929	194,705	32,848	929,898	180,011	(1,484,484)	(3,136,896)
Adjustment Note 5	(2,946,043)	-	-	-	-	-	-	-
Fund balances -- beginning, as restated	-	1,122,929	194,705	32,848	929,898	180,011	(1,484,484)	(3,136,896)
Fund balances -- ending	\$ -	\$ 1,298,684	\$ 9,945	\$ 34,116	\$ 1,049,116	\$ 208,811	\$ -	\$ (2,932,069)

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

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	Tax Increment Financing 13 Fund	Tax Increment Financing 14 Fund
\$ 330,483	\$ 40,698	\$ 30,407	\$ 1,133	\$ 928	\$ 44,232	\$ 82,516	\$ 244,629
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
330,483	40,698	30,407	1,133	928	44,232	82,516	244,629
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
330,483	40,698	30,407	-	-	44,232	82,516	242,416
-	-	-	1,583	141,161	-	-	-
330,483	40,698	30,407	1,583	141,161	44,232	82,516	242,416
-	-	-	(450)	(140,233)	-	-	2,213
-	-	-	-	141,500	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	141,500	-	-	-
-	-	-	(450)	1,267	-	-	2,213
-	-	-	450	-	-	-	3,157
-	-	-	-	-	-	-	-
-	-	-	450	-	-	-	3,157
\$ -	\$ -	\$ -	\$ -	\$ 1,267	\$ -	\$ -	\$ 5,370

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

	Tax Increment Financing 15 Fund	Tax Increment Financing 16 Fund	Tax Increment Financing 17 Fund	Tax Increment Financing 19 Fund	Tax Increment Financing 20 Fund	Total
REVENUES						
Tax Revenue						
Property	\$ 89,108	\$ 31,527	\$ 13	\$ 1,260	\$ 15,465	\$ 1,413,001
Sales	-	-	-	-	-	1,283,101
Charges for Goods and Services	-	-	-	-	-	2,272,694
Fines and Forfeits	-	-	-	-	-	13,689
Interest Revenue	-	-	-	-	-	118,871
Rentals	-	-	-	-	-	67,341
Donations/ Contributions	-	-	-	-	-	235,787
Miscellaneous	-	-	-	-	-	25,999
Total revenues	89,108	31,527	13	1,260	15,465	5,430,483
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	108,523
Public Safety	-	-	-	-	-	1,195,666
Culture and Recreation	-	-	-	-	-	1,873,307
Conservation and Development	89,108	-	13	1,260	15,465	1,375,553
Debt Service	-	-	-	-	-	505,902
Total expenditures	89,108	-	13	1,260	15,465	5,058,951
Excess (deficiency) of revenues over expenditures	-	31,527	-	-	-	371,532
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	2,092,617
Transfers Out	-	-	-	-	-	(600,000)
Total other financing sources (uses)	-	-	-	-	-	1,492,617
Net change in fund balances	-	31,527	-	-	-	1,864,149
Fund balances -- beginning, as previously reported	-	-	-	-	-	788,661
Adjustment Note 5	-	-	-	-	-	(2,946,043)
Fund balances -- beginning, as restated	-	-	-	-	-	(2,157,382)
Fund balances -- ending	\$ -	\$ 31,527	\$ -	\$ -	\$ -	(293,233)

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue				
Sales	\$ 1,120,000	\$ 1,120,000	\$ 1,283,101	\$ 163,101
Interest Revenue	200,000	200,000	58,586	(141,414)
Donation	-	-	33,250	
Total revenues	<u>1,320,000</u>	<u>1,320,000</u>	<u>1,374,937</u>	<u>21,687</u>
EXPENDITURES				
General Government	215,000	215,000	108,523	106,477
Conservation and Development	487,000	493,000	490,659	2,341
Total expenditures	<u>702,000</u>	<u>708,000</u>	<u>599,182</u>	<u>108,818</u>
Excess (deficiency) of revenues over expenditures	<u>618,000</u>	<u>612,000</u>	<u>775,755</u>	<u>130,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(600,000)	(600,000)	(600,000)	-
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Net change in fund balances	18,000	12,000	175,755	130,505
Fund balances -- beginning	<u>1,122,929</u>	<u>1,122,929</u>	<u>1,122,929</u>	<u>-</u>
Fund balances -- ending	<u>\$ 1,140,929</u>	<u>\$ 1,134,929</u>	<u>\$ 1,298,684</u>	<u>\$ 130,505</u>

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for Goods and Services	\$ 1,573,610	\$ 1,573,610	\$ 1,503,199	\$ (70,411)
Interest Revenue	9,850	9,850	6,276	(3,574)
Rentals	37,200	37,200	67,341	30,141
Donations/Contributions			121,193	121,193
Miscellaneous	30,200	30,200	1,117	(29,083)
Total revenues	<u>1,650,860</u>	<u>1,650,860</u>	<u>1,699,126</u>	<u>48,266</u>
EXPENDITURES				
Culture and Recreation	1,717,500	1,929,700	1,849,840	79,860
Debt Service	-	35,000	34,046	954
Total expenditures	<u>1,717,500</u>	<u>1,964,700</u>	<u>1,883,886</u>	<u>80,814</u>
Excess (deficiency) of revenues over expenditures	<u>(66,640)</u>	<u>(313,840)</u>	<u>(184,760)</u>	<u>129,080</u>
Net change in fund balances	(66,640)	(313,840)	(184,760)	129,080
Fund balances -- beginning	<u>194,705</u>	<u>194,705</u>	<u>194,705</u>	<u>-</u>
Fund balances -- ending	<u>\$ 128,065</u>	<u>\$ (119,135)</u>	<u>\$ 9,945</u>	<u>\$ 129,080</u>

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 1,268	\$ 1,268
Total revenues	-	-	1,268	1,268
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)	1,268	16,268
Net change in fund balances	(15,000)	(15,000)	1,268	16,268
Fund balances -- beginning	32,848	32,848	32,848	-
Fund balances -- ending	\$ 17,848	\$ 17,848	\$ 34,116	\$ 16,268

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for Goods and Services	\$ 635,000	\$ 635,000	\$ 769,495	\$ 134,495
Interest Revenue	6,000	6,000	43,400	37,400
Donations/Contributions	62,500	62,500	74,537	12,037
Miscellaneous	2,500	2,500	2,452	(48)
Total revenues	706,000	706,000	889,884	183,884
EXPENDITURES				
Public Safety	1,430,000	1,430,000	1,195,666	234,334
Total expenditures	1,430,000	1,430,000	1,195,666	234,334
Excess (deficiency) of revenues over expenditures	(724,000)	(724,000)	(305,782)	418,218
OTHER FINANCING SOURCES (USES)				
Transfers In	425,000	425,000	425,000	-
Total other financing sources (uses)	425,000	425,000	425,000	-
Net change in fund balances	(299,000)	(299,000)	119,218	418,218
Fund balances -- beginning	929,898	929,898	929,898	-
Fund balances -- ending	\$ 630,898	\$ 630,898	\$ 1,049,116	\$ 418,218

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

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Fines and Forfeits	\$ 8,000	\$ 8,000	\$ 13,689	\$ 5,689
Interest Revenue	3,000	3,000	9,341	6,341
Donations/Contributions	7,000	7,000	6,807	(193)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>22,430</u>	<u>21,430</u>
Total revenues	<u>19,000</u>	<u>19,000</u>	<u>52,267</u>	<u>33,267</u>
EXPENDITURES				
Culture and Recreation	<u>35,750</u>	<u>36,950</u>	<u>23,467</u>	<u>13,483</u>
Total expenditures	<u>35,750</u>	<u>36,950</u>	<u>23,467</u>	<u>13,483</u>
Excess (deficiency) of revenues over expenditures	<u>(16,750)</u>	<u>(17,950)</u>	<u>28,800</u>	<u>46,750</u>
Net change in fund balances	<u>(16,750)</u>	<u>(17,950)</u>	<u>28,800</u>	<u>46,750</u>
Fund balances -- beginning	<u>180,011</u>	<u>180,011</u>	<u>180,011</u>	<u>-</u>
Fund balances -- ending	<u>\$ 163,261</u>	<u>\$ 162,061</u>	<u>\$ 208,811</u>	<u>\$ 46,750</u>

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 106,000	\$ 106,000	\$ 63,304	\$ (42,696)
Interest Revenue	-	-	-	-
Total Revenues	106,000	106,000	63,304	(42,696)
EXPENDITURES				
Debt Service	106,000	106,000	104,937	1,063
Total Expenditures	106,000	106,000	104,937	1,063
Excess (deficiency) of revenues over expenditures	-	-	(41,633)	(41,633)
Net Change in fund balances	-	-	(41,633)	(41,633)
Special Items	-	-	1,526,117	(1,526,117)
Fund Balances -- beginning	(1,484,484)	(1,484,484)	(1,484,484)	-
Fund Balances -- ending	\$ (1,484,484)	\$ (1,484,484)	\$ -	\$ (1,567,750)

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 250,000	\$ 485,000	\$ 437,298	\$ (47,702)
Interest Revenue	-	-	-	-
Total revenues	250,000	485,000	437,298	(47,702)
EXPENDITURES				
Conservation and Development	-	10,000	8,296	1,704
Debt Service	224,500	449,500	224,175	225,325
Total expenditures	224,500	459,500	232,471	227,029
Excess (deficiency) of revenues over expenditures	25,500	25,500	204,827	179,327
Net change in fund balances	25,500	25,500	204,827	179,327
Fund balances -- beginning	(3,136,896)	(3,136,896)	(3,136,896)	-
Fund balances -- ending	<u>\$ (3,111,396)</u>	<u>\$ (3,111,396)</u>	<u>\$ (2,932,069)</u>	<u>\$ 179,327</u>

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 352,000	\$ 352,000	\$ 330,483	\$ (21,517)
Total revenues	352,000	352,000	330,483	(21,517)
EXPENDITURES				
Conservation and Development	352,000	352,000	330,483	21,517
Total expenditures	352,000	352,000	330,483	21,517
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			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 44,000	\$ 44,000	\$ 40,698	\$ (3,302)
Total revenues	44,000	44,000	40,698	(3,302)
EXPENDITURES				
Conservation and Development	44,000	44,000	40,698	3,302
Total expenditures	44,000	44,000	40,698	3,302
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			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 33,000	\$ 33,000	\$ 30,407	\$ (2,593)
Total revenues	33,000	33,000	30,407	(2,593)
EXPENDITURES				
Conservation and Development	33,000	33,000	30,407	2,593
Total expenditures	33,000	33,000	30,407	2,593
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	\$ 1,000	\$ 1,000	\$ 1,133	\$ 133
Total revenues	1,000	1,000	1,133	133
EXPENDITURES				
Debt Service	1,000	1,000	1,583	(583)
Total expenditures	1,000	1,000	1,583	(583)
Excess (deficiency) of revenues over expenditures	-	-	(450)	(450)
Net change in fund balances	-	-	(450)	(450)
Fund balances -- beginning	-	-	450	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ (450)

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 600	\$ 600	\$ 928	\$ 328
Total revenues	600	600	928	328
EXPENDITURES				
Debt Service	141,200	141,200	141,161	39
Total expenditures	141,200	141,200	141,161	39
Excess (deficiency) of revenues over expenditures	(140,600)	(140,600)	(140,233)	367
OTHER FINANCING SOURCES (USES)				
Transfer In	141,500	141,500	141,500	283,000
Net change in fund balances	(140,600)	(140,600)	1,267	283,367
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ (140,600)	\$ (140,600)	\$ 1,267	\$ 283,367

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 38,000	\$ 44,500	\$ 44,232	\$ (268)
Total revenues	38,000	44,500	44,232	(268)
EXPENDITURES				
Conservation and Development	38,000	44,500	44,232	268
Total expenditures	38,000	44,500	44,232	268
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 13 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 45,500	\$ 83,000	\$ 82,516	\$ (484)
Total revenues	45,500	83,000	82,516	(484)
EXPENDITURES				
Conservation and Development	45,500	83,000	82,516	484
Total expenditures	45,500	83,000	82,516	484
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 14 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 93,000	\$ 324,000	\$ 244,629	\$ (79,371)
Total revenues	93,000	324,000	244,629	(79,371)
EXPENDITURES				
Conservation and Development	93,000	324,000	242,416	81,584
Total expenditures	93,000	324,000	242,416	81,584
Excess (deficiency) of revenues over expenditures	-	-	2,213	2,213
Net change in fund balances	-	-	2,213	2,213
Fund balances -- beginning	-	-	3,157	-
Fund balances -- ending	\$ -	\$ -	\$ 5,370	\$ 2,213

City of Watertown
Annual Comprehensive Financial Report
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Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 15 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 500	\$ 90,500	\$ 89,108	\$ (1,392)
Total revenues	500	90,500	89,108	(1,392)
EXPENDITURES				
Conservation and Development	500	90,500	89,108	1,392
Total expenditures	500	90,500	89,108	1,392
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ -

City of Watertown
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Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 16 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 1,000	\$ 1,000	\$ 31,527	\$ 30,527
Total revenues	1,000	1,000	31,527	30,527
EXPENDITURES				
Conservation and Development	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over expenditures	-	-	31,527	31,527
Net change in fund balances	-	-	31,527	31,527
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ 31,527	\$ 31,527

City of Watertown
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Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 17 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ 10	\$ 110	\$ 13	\$ (97)
Total revenues	10	110	13	(97)
EXPENDITURES				
Conservation and Development	10	110	13	97
Total expenditures	10	110	13	97
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ -

City of Watertown
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Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 19 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ -	\$ 1,270	\$ 1,260	\$ (10)
Total revenues	-	1,270	1,260	(10)
EXPENDITURES				
Conservation and Development	-	1,270	1,260	10
Total expenditures	-	1,270	1,260	10
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ -

City of Watertown
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Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 20 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	\$ -	\$ 8,000	\$ 15,465	\$ 7,465
Total revenues	-	8,000	15,465	7,465
EXPENDITURES				
Conservation and Development	-	8,000	15,465	(7,465)
Total expenditures	-	8,000	15,465	(7,465)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -	\$ -

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.

Capital Project Fund (506) – to account for the Sales Tax Revenue Bond proceeds that will be used for the construction of a new two sheet Ice Arena and land purchase.

Combining Balance Sheet - Nonmajor Capital Projects Funds

	Capital Projects Fund (505)	Capital Projects Fund (506)	Total Capital Projects Funds
ASSETS			
Current assets:			
Pooled Cash and Investments	\$ 8,454,871	\$ 2,238,452	\$ 10,693,323
Total assets	<u>8,454,871</u>	<u>2,238,452</u>	<u>10,693,323</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	936,290	1,086,275	2,022,565
Retainage Payable	<u>135,888</u>	<u>5,995</u>	<u>141,883</u>
	<u>1,072,178</u>	<u>1,092,270</u>	<u>2,164,448</u>
Total Liabilities	<u>1,072,178</u>	<u>1,092,270</u>	<u>2,164,448</u>
FUND BALANCES			
Restricted for:			
Capital Projects	<u>7,382,693</u>	<u>1,146,182</u>	<u>8,528,875</u>
Total fund balances	<u>7,382,693</u>	<u>1,146,182</u>	<u>8,528,875</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 8,454,871</u>	<u>\$ 2,238,452</u>	<u>\$ 10,693,323</u>

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

	Capital Projects Fund (505)	Capital Projects Fund (506)	Total Capital Projects Funds
REVENUES			
Interest Revenue	\$ 516,002	\$ 562,235	\$ 1,078,237
Total revenues	516,002	562,235	1,078,237
EXPENDITURES			
Public Works	3,417,686	-	3,417,686
Culture and Recreation	-	5,319,639	5,319,639
Total expenditures	3,417,686	5,319,639	8,737,325
Excess (deficiency) of revenues over expenditures	(2,901,684)	(4,757,404)	(7,659,088)
Net Change in Fund Balance	(2,901,684)	(4,757,404)	(7,659,088)
Fund balances -- beginning, as previously reported	10,284,377	-	10,284,377
Adjustment Note 5	-	5,903,586	5,903,586
Fund balances -- beginning, as adjusted	-	5,903,586	16,187,963
Fund balances -- ending	\$ 7,382,693	\$ 1,146,182	\$ 8,528,875

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest Revenue	\$ 10,000	\$ 10,000	\$ 516,002	\$ 506,002
Total Revenues	10,000	10,000	516,002	506,002
EXPENDITURES				
General Government	-	3,196,680	3,417,686	(221,006)
Public Works	-	5,835,600	-	5,835,600
Total Expenditures	-	9,032,280	3,417,686	5,614,594
Excess (deficiency) of revenues over expenditures	10,000	(9,022,280)	(2,901,684)	6,120,596
Net Change in fund balances	10,000	(9,022,280)	(2,901,684)	6,120,596
Fund Balances - beginning	10,284,377	10,284,377	10,284,377	-
Fund Balances - ending	\$ 10,294,377	\$ 1,262,097	\$ 7,382,693	\$ 6,120,596

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 562,235	\$ 562,235
Total Revenues	-	-	562,235	562,235
EXPENDITURES				
Culture and Recreation	-	5,841,500	5,319,639	521,861
Total Expenditures	-	5,841,500	5,319,639	521,861
Excess (deficiency) of revenues over expenditures	-	(5,841,500)	(4,757,404)	1,084,096
Net Change in fund balances	-	(5,841,500)	(4,757,404)	1,084,096
Fund Balances - beginning	5,903,586	5,903,586	5,903,586	-
Fund Balances - ending	<u>\$ 5,903,586</u>	<u>\$ 62,086</u>	<u>\$ 1,146,182</u>	<u>\$ 1,084,096</u>

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.

Combining Statement of Net Position - Nonmajor Proprietary Funds

	Enterprise Funds	
	Solid Waste Fund	Total
ASSETS		
Current assets:		
Pooled Cash and Investments	\$ 1,464,680	\$ 1,464,680
Accounts Receivable	368,040	368,040
Inventory	33,702	33,702
Net Pension Asset	1,386	1,386
Restricted Cash	1,300,846	1,300,846
Total Current assets:	3,168,654	3,168,654
Noncurrent assets:		
Land	685,743	685,743
Buildings and Structures	993,472	993,472
Furniture Equipment Machinery	7,677,400	7,677,400
Improvements Other Than Buildings	8,967,950	8,967,950
Accumulated Depreciation	(6,322,848)	(6,322,848)
Total Noncurrent assets:	12,001,717	12,001,717
Total assets	15,170,371	15,170,371
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	240,968	240,968
OPEB Related Deferred Outflows	55,852	55,852
Total Deferred Outflows of Resources	296,820	296,820
LIABILITIES		
Current liabilities:		
Accounts Payable	125,134	125,134
Loans Payable	76,669	76,669
Accrued interest payable	5,730	5,730
Accrued Vacation and Sick Leave	64,012	64,012
Total Current liabilities:	271,545	271,545
Noncurrent liabilities:		
Accrued Vacation and Sick Leave	192,038	192,038
Net OPEB Liability	128,571	128,571
Closure/Post Closure Liability	1,300,846	1,300,846
Loans Payable	1,287,289	1,287,289
Total Noncurrent liabilities:	2,908,744	2,908,744
Total liabilities	3,180,289	3,180,289
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	174,159	174,159
OPEB Related Deferred Inflows	20,815	20,815
Total Deferred Inflows of Resources	194,974	194,974
NET POSITION		
Net Investment in Capital Assets	10,637,759	10,637,759
Unrestricted	1,454,169	1,454,169
Total net position	\$ 12,091,928	\$ 12,091,928

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

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

	Enterprise Funds	
	Solid Waste Fund	Total
OPERATING REVENUES		
Charges for Goods and Services	\$ 4,252,379	\$ 4,252,379
Miscellaneous	56,512	56,512
Total Operating revenues	<u>4,308,891</u>	<u>4,308,891</u>
OPERATING EXPENSES		
Personal Services	1,544,979	1,544,979
Supplies	322,598	322,598
Utilities	34,533	34,533
Other Charges	867,102	867,102
Depreciation	807,325	807,325
Total operating expenses	<u>3,576,537</u>	<u>3,576,537</u>
Operating Income (Loss)	<u>732,354</u>	<u>732,354</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue	186,205	186,205
Interest Expense	(26,997)	(26,997)
Contributions	(80,000)	(80,000)
Gain(Loss) on Disposition of Capital Assets	<u>69,540</u>	<u>69,540</u>
Total nonoperating revenues (expenses)	<u>148,748</u>	<u>148,748</u>
Income (loss) before contributions and transfers	881,102	881,102
Transfers Out	<u>(662,500)</u>	<u>(662,500)</u>
Change in net position	218,602	218,602
Total net position -- beginning as previously reported	11,934,167	11,934,167
Prior Period Adjustment - Note 5	<u>(60,841)</u>	<u>(60,841)</u>
Total net position -- beginning, as restated	<u>11,873,326</u>	<u>11,873,326</u>
Total net position -- ending	<u>\$ 12,091,928</u>	<u>\$ 12,091,928</u>

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	\$ 4,212,899	\$ 4,212,899
Payments to suppliers	(2,310,377)	(2,310,377)
Payments to employees	(1,461,460)	(1,461,460)
Other Operating Cash Receipts	56,512	56,512
Net cash provided (used) by operating activities	497,574	497,574
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contribution	(80,000)	(80,000)
Transfers Out	(662,500)	(662,500)
Net cash provided (used) by noncapital financing activities	(742,500)	(742,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,853,446)	(1,853,446)
Interest payments on SRF Loan	(28,260)	(28,260)
Principal payments on SRF Loan	(75,156)	(75,156)
Net cash provided (used) by capital and related financing activities	(1,956,862)	(1,956,862)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	186,205	186,205
Net cash provided by investing activities	186,205	186,205
Net increase (decrease) in cash and cash equivalents	(2,015,583)	(2,015,583)
Pooled Cash and Investments - January 1	4,781,109	4,781,109
Pooled Cash and Investments - December 31	2,765,526	2,765,526
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 732,354	\$ 732,354
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	807,325	807,325
Changes in Assets and Liabilities:		
Accounts Payable - Other	935	935
Accounts Payable - Supplier	(1,082,298)	(1,082,298)
Customer Receivables	(39,480)	(39,480)
Net Pension Asset	2,192	2,192
Deferred Outflows Related to Pensions	35,230	35,230
Deferred Outflows Related to OPEB	(11,079)	(11,079)
Inventory	(4,781)	(4,781)
Other Post Employment Benefits	25,737	25,737
Deferred Inflows Related to Pensions	(4,765)	(4,765)
Deferred Inflows Related to OPEB	(3,663)	(3,663)
Salaries & Benefits Payable	39,867	39,867
Net Cash provided (used) by operating activities	\$ 497,574	\$ 497,574



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, 2024

Statistics (Unaudited)

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

	2015	2016	2017	2018
Governmental Activities				
Net Investment in Capital Assets	\$ 103,295,621	\$ 106,608,222	\$ 107,518,102	\$ 111,229,268
Restricted	31,242,916	14,965,449	14,607,671	17,388,981
Unrestricted	(606,514)	17,255,717	23,286,242	21,131,466
Total Governmental Activities Net Position	133,932,023	138,829,388	145,412,015	149,749,715
Business-Type Activities				
Net Investment in Capital Assets	132,695,267	139,508,003	149,623,847	153,019,100
Restricted	4,957,340	4,526,651	5,514,896	4,418,429
Unrestricted	19,743,815	19,525,178	20,132,551	25,132,526
Total Business-Type Activities Net Position	157,396,422	163,559,832	175,271,294	182,570,055
Primary Government				
Net Investment in Capital Assets	235,990,888	246,116,225	257,141,949	264,248,368
Restricted	36,200,256	19,492,100	20,122,567	21,807,410
Unrestricted	19,137,301	36,780,895	43,418,793	46,263,992
Total Primary Government Net Position	\$ 291,328,445	\$ 302,389,220	\$ 320,683,309	\$ 332,319,770

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

Statistics (Unaudited)

	2019		2020		2021		2022		2023		2024
\$	113,700,057	\$	118,593,087	\$	115,413,286	\$	124,189,936	\$	121,698,341	\$	135,465,029
	17,223,431		12,741,599		17,419,596		17,414,936		26,513,513		16,568,343
	22,545,867		30,994,061		33,607,408		29,958,313		33,002,973		28,362,942
	153,469,355		162,328,747		166,440,290		171,563,185		181,214,827		180,396,314
	159,199,656		169,097,484		180,859,077		201,244,854		207,544,963		222,491,746
	3,372,870		3,419,974		4,918,341		6,632,402		8,149,203		7,727,318
	25,567,692		28,119,438		35,768,665		39,008,313		47,116,707		48,546,941
	188,140,218		200,636,896		221,546,083		246,885,569		262,810,873		278,766,005
	272,899,713		287,690,571		296,272,363		325,434,790		329,243,304		357,956,775
	20,596,301		16,161,573		22,337,937		24,047,338		34,662,716		24,295,661
	48,113,559		59,113,499		69,376,073		68,966,626		80,119,680		76,909,883
\$	341,609,573	\$	362,965,643	\$	387,986,373	\$	418,448,754	\$	444,025,700	\$	459,162,319

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

Statistics (Unaudited)

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

	2015	2016	2017	2018
Expenses				
Governmental Activities				
General Government	\$ 2,766,293	\$ 3,138,731	\$ 2,356,577	\$ 2,613,083
Public Safety	8,620,538	9,365,921	8,380,361	10,403,846
Public Works	3,675,342	3,596,147	3,485,238	5,068,385
Health and Welfare	157,151	109,777	110,281	79,903
Culture and Recreation	6,333,389	7,693,870	7,624,568	7,419,209
Conservation and Development	1,046,133	1,352,512	1,350,323	1,636,273
Interest on Long-Term Debt	1,637,019	1,685,639	1,568,771	1,521,295
Total Governmental Activities	24,235,865	26,942,597	24,876,119	28,741,994
Business-Type Activities				
Sewer	3,682,300	3,801,618	3,648,938	3,812,308
Solid Waste	2,542,404	2,490,138	2,761,842	2,681,029
Airport	1,235,154	1,151,179	1,158,046	1,308,566
Electric	25,547,889	27,092,700	27,456,170	27,902,630
Water	4,351,502	4,737,445	4,647,793	4,787,833
Gas	7,864,515	7,205,132	7,806,526	8,936,492
Total Business-Type Activities Expenses	45,223,764	46,478,212	47,479,315	49,428,858
Total Primary Government Expenses	69,459,629	73,420,809	72,355,434	78,170,852
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	128,119	146,528	149,222	127,405
Public Safety	1,758,183	1,856,099	1,884,313	2,886,937
Public Works	189,974	433,935	43,764	421,795
Health and Welfare	1,525	1,930	1,720	1,100
Culture and Recreation	2,347,198	2,300,732	3,005,717	2,164,808
Conservation and Development	137,084	165,258	209,793	238,725
Operating Grants and Contributions	732,088	671,135	191,410	218,041
Capital Grants and Contributions	5,436,484	3,515,470	2,749,396	2,012,698
Total Governmental Activities Program Revenues	10,730,655	9,091,087	8,235,335	8,071,509
Business-Type Activities				
Charges for Services				
Sewer	3,502,229	3,504,218	3,546,261	5,262,918
Solid Waste	2,833,794	2,731,339	2,945,081	3,138,110
Airport	154,587	188,967	237,293	284,076
Electric	27,954,042	29,760,309	30,057,059	31,513,261
Water	5,452,851	5,963,127	6,076,701	6,245,709
Gas	9,942,975	8,983,270	8,472,781	9,804,397
Operating Grants and Contributions	201,975	-	8,771	8,655
Capital Grants and Contributions	3,376,383	2,201,090	8,390,956	1,123,489
Total Business-Type Activities Program Revenues	53,418,836	53,332,320	59,734,903	57,380,615
Total Primary Government Program Revenues	64,149,491	62,423,407	67,970,238	65,452,124
Net (Expenses) Revenues				
Governmental Activities	(13,505,210)	(17,851,510)	(16,640,784)	(20,670,485)
Business-Type Activities	8,195,072	6,854,108	12,255,588	7,951,757
Total Primary Government Net Expense	\$ (5,310,138)	\$ (10,997,402)	\$ (4,385,196)	\$ (12,718,728)

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

Statistics (Unaudited)

2019	2020	2021	2022	2023	2024
\$ 3,308,409	\$ 3,087,636	\$ 3,199,088	\$ 2,410,054	\$ 3,810,878	\$ 550,156
10,369,825	10,590,948	9,695,183	10,410,900	11,514,981	12,891,096
5,335,085	5,825,177	5,201,069	8,951,937	8,613,891	12,510,024
145,679	205,308	205,704	331,709	306,237	344,384
8,591,415	8,044,152	9,194,331	9,442,881	10,835,050	12,902,008
1,376,610	1,455,131	1,439,827	3,370,056	2,147,252	2,347,141
1,469,197	1,779,364	1,232,150	2,460,778	2,445,302	3,197,092
30,596,220	30,987,716	30,167,352	37,378,315	39,673,591	44,741,901
4,070,394	4,150,889	3,941,358	4,199,653	4,208,887	4,584,157
2,834,399	2,946,347	2,666,097	3,233,371	3,028,052	3,683,534
1,538,969	1,501,903	2,116,350	2,062,067	2,585,891	2,700,852
27,135,117	26,180,250	26,656,782	27,724,681	28,120,639	29,262,325
4,434,092	4,745,301	4,501,664	4,957,186	5,041,180	5,870,413
8,471,455	7,016,826	6,954,058	11,908,351	8,976,321	8,340,422
48,484,426	46,541,516	46,836,309	54,085,309	51,960,970	54,441,703
79,080,646	77,529,232	77,003,661	91,463,624	91,634,561	99,183,604
138,067	137,903	226,918	186,795	229,454	176,722
1,946,933	1,999,036	1,908,992	2,087,242	2,698,662	2,857,206
199,613	284,610	282,221	299,091	218,599	18,679
2,300	-	-	-	-	-
3,184,984	2,383,412	3,550,830	3,710,276	3,844,393	4,482,512
270,846	263,846	188,746	404,876	320,729	401,886
451,291	5,618,140	793,916	3,312,041	1,298,541	1,098,683
2,699,979	3,506,625	4,176,389	1,034,911	5,496,035	1,662,834
8,894,013	14,193,572	11,128,012	11,035,232	14,106,413	10,698,522
3,550,926	3,867,202	4,668,162	4,673,915	5,620,978	5,958,336
3,099,848	3,366,551	3,584,235	3,786,514	3,940,430	4,308,891
226,646	285,580	388,147	924,434	437,898	396,241
31,232,113	31,761,072	30,141,427	32,515,228	33,311,253	33,629,480
5,936,773	6,648,977	7,336,939	7,548,860	8,666,952	8,276,397
10,205,593	8,973,584	9,297,405	11,650,481	12,580,642	11,895,685
7,110	649,459	758,978	1,005,627	1,031,373	945,985
508,093	4,839,500	8,967,908	18,262,515	2,652,609	5,335,978
54,767,102	60,391,925	65,143,201	80,367,574	68,242,135	70,746,993
63,661,115	74,585,497	76,271,213	91,402,806	82,348,548	81,445,515
(21,702,207)	(16,794,144)	(19,039,340)	(26,343,083)	(25,567,178)	(34,043,379)
6,282,676	13,850,409	18,306,892	26,282,265	16,281,165	16,305,290
\$ (15,419,531)	\$ (2,943,735)	\$ (732,448)	\$ (60,818)	\$ (9,286,013)	\$ (17,738,089)

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

	2015	2016	2017	2018
Governmental Activities				
Taxes				
Property Taxes	\$ 4,144,883	\$ 4,298,434	\$ 4,372,781	\$ 4,518,618
Sales and Use Taxes	15,205,209	15,150,394	15,629,115	16,119,594
Other Taxes	367,452	359,308	345,843	330,268
State Shared Revenues	1,023,327	1,040,492	933,928	222,829
Investment Earnings	591,828	616,542	666,920	1,016,385
Miscellaneous	351,668	291,392	485,811	994,703
Sales of Capital Assets	174,346	32,338	(266)	7,145
Special Items/Extraordinary Items/Changes in Accounting Estim	-	-	(30,189)	68,650
Transfers	1,025,325	959,975	819,468	1,394,422
Total Governmental Activities	22,884,038	22,748,875	23,223,411	24,672,614
Business-Type Activities				
Taxes				
Other Taxes	19,799	10,839	5,144	3,368
Investment Earnings	170,953	193,311	284,058	561,610
Sales of Capital Assets	37,769	65,127	(13,860)	174,784
Special Items/Extraordinary Items/Changes in Accounting Estim	-	-	-	409,011
Transfers	(1,025,325)	(959,975)	(819,468)	(1,394,422)
Total Business-Type Activities	(796,804)	(690,698)	(544,126)	(245,649)
Total Primary Government General Revenues	22,087,234	22,058,177	22,679,285	24,426,965
Change in Net Position				
Governmental Activities	9,378,828	4,897,365	6,582,627	4,002,129
Business-Type Activities	7,398,268	6,163,410	11,711,462	7,706,108
Total Primary Government	\$ 16,777,096	\$ 11,060,775	\$ 18,294,089	\$ 11,708,237

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	2019		2020		2021		2022		2023		2024
\$	4,705,100	\$	5,073,849	\$	5,290,954	\$	5,266,687	\$	5,102,864	\$	5,768,826
	17,098,037		17,431,110		19,632,529		21,573,383		22,454,880		22,595,254
	320,936		314,757		292,651		315,491		274,162		246,432
	232,355		280,834		281,908		279,182		244,839		227,366
	1,216,468		617,013		426,652		1,623,998		4,272,183		3,233,882
	361,482		440,707		517,100		390,139		437,324		429,578
	18,221		(8,534)		12,691		179,661		12,018		146,934
	-		-		(472,746)		(154,163)		-		-
	1,469,248		1,503,800		(2,830,856)		1,991,600		2,420,550		2,538,500
	25,421,847		25,653,536		23,150,883		31,465,978		35,218,820		35,186,772
	6,357		2,731		7,178		14,823		25,872		25,433
	750,378		330,496		229,269		994,976		2,393,440		2,614,419
	-		-		14,314		39,022		(354,623)		79,471
	-		(183,158)		(479,322)		-		-		-
	(1,469,248)		(1,503,800)		2,830,856		(1,991,600)		(2,420,550)		(2,538,500)
	(712,513)		(1,353,731)		2,602,295		(942,779)		(355,861)		180,823
	24,709,334		24,299,805		25,753,178		30,523,199		34,862,959		35,367,595
	3,719,640		8,859,392		4,111,543		5,122,895		9,651,642		1,143,393
	5,570,163		12,496,678		20,909,187		25,339,486		15,925,304		16,486,113
\$	9,289,803	\$	21,356,070	\$	25,020,730	\$	30,462,381	\$	25,576,946	\$	17,629,506

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Statistics (Unaudited)

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

	2015	2016	2017	2018
General Fund				
Nondisposable	\$ 179,622	\$ 131,519	\$ 117,441	\$ 289,878
Restricted	20,517	20,588	20,701	20,925
Assigned	1,537,580	1,810,538	1,853,390	2,236,060
Unassigned	8,074,419	7,239,354	7,226,669	6,782,280
Total General Fund	9,812,138	9,201,999	9,218,201	9,329,143
All Other Governmental Funds				
Nondisposable	\$ 34,635	\$ 39,392	\$ 31,231	\$ 294,034
Restricted	27,173,200	11,551,269	9,487,772	12,916,223
Assigned	18,553,821	18,505,930	19,858,874	18,515,914
Unassigned	(6,326,763)	(6,250,872)	(6,193,540)	(6,063,266)
Total All Other Governmental Funds	\$ 39,434,893	\$ 23,845,719	\$ 23,184,337	\$ 25,662,905

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2019	2020	2021	2022	2023	2024
\$ 408,631	\$ 441,625	\$ 292,393	\$ 284,042	\$ 336,699	\$ 363,509
21,344	21,488	21,541	21,821	22,632	23,471
2,491,661	1,894,211	473,706	2,537,182	422,267	22,065
6,171,141	10,756,357	12,878,424	10,323,022	12,697,476	13,522,296
9,092,777	13,113,681	13,666,064	13,166,067	13,479,074	13,931,341
\$ 331,620	\$ 349,564	\$ 52,353	\$ 90,745	\$ 85,411	\$ 74,226
14,154,947	10,339,568	14,708,617	47,707,396	22,933,943	15,266,190
20,481,603	25,648,334	25,897,154	23,422,373	24,881,122	19,456,078
(5,888,462)	(5,490,976)	(5,005,470)	(4,608,853)	(4,621,380)	(2,932,069)
\$ 29,079,708	\$ 30,846,490	\$ 35,652,654	\$ 66,611,661	\$ 43,279,096	\$ 31,864,425

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Statistics (Unaudited)

Table 4

Changes in Fund Balances of Governmental Funds (modified accrual basis of accounting)

Last Ten Fiscal Years

	2015	2016	2017	2018	2019
Revenues					
Taxes	\$ 19,720,693	\$ 19,804,161	\$ 20,295,735	\$ 20,923,892	\$ 22,052,308
Licenses and Permits	234,333	262,968	318,695	341,040	376,762
Intergovernmental	1,621,313	1,969,753	2,120,676	2,148,338	1,905,491
Charges for Goods and Services	4,043,345	4,051,700	4,672,145	5,052,441	5,134,622
Fines and Forfeitures	50,544	71,005	56,066	58,981	74,929
Interest	568,899	623,599	657,823	916,432	1,356,533
Miscellaneous Revenue	1,284,820	1,826,332	1,474,620	2,593,269	1,298,693
Total Revenues	27,523,947	28,609,518	29,595,760	32,034,393	32,199,338
Expenditures					
General Government	2,820,387	2,998,713	2,464,210	2,473,232	3,208,693
Public Safety	8,029,280	8,213,485	8,615,963	9,571,209	8,793,926
Public Work	5,179,559	6,261,400	5,346,412	6,355,562	6,484,294
Health and Welfare	144,736	104,055	116,875	74,043	139,203
Culture and Recreation	15,039,450	22,871,337	9,278,066	7,064,630	6,702,341
Conservation and Development	888,069	1,320,712	1,226,378	1,443,638	1,169,595
Debt Service					
Principal	1,641,259	2,446,287	2,486,947	2,394,832	2,520,809
Interest	1,420,320	1,599,995	1,569,444	1,572,520	1,470,399
Administrative Charges	3,516	3,400	3,300	3,300	3,500
Bond Issuance Costs	402,019	50,948	-	-	-
Total Expenditures	35,568,595	45,870,332	31,107,595	30,952,966	30,492,760
Revenues Over (Under) Expenditures	(8,044,648)	(17,260,814)	(1,511,835)	1,081,427	1,706,578
Other Financing Sources (Uses)					
Sales of Municipal Property	271,779	48,265	77,376	45,011	4,611
Long-Term Debt Issued	24,240,000	3,205,000	-	-	-
Premium on Bonds Issued	259,873	-	-	-	-
Pmt To Refunded Debt Escrow Agent	(3,507,670)	(3,151,739)	-	-	-
Transfer In	4,772,131	5,028,975	4,233,118	6,274,422	4,780,748
Transfer Out	(3,746,806)	(4,069,000)	(3,413,650)	(4,880,000)	(3,311,500)
Total Other Financing Sources (Uses)	22,289,307	1,061,501	896,844	1,439,433	1,473,859
Special Items/Extraordinary Items/ Change in Accounting Estimate	-	-	(30,189)	68,650	-
Net Change in Fund Balances	\$ 14,244,659	\$ (16,199,313)	\$ (645,180)	\$ 2,589,510	\$ 3,180,437
Debt service as a % of noncapital expenditure	16.9%	15.6%	15.8%	16.1%	15.3%

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	2020		2021		2022		2023		2024
\$	22,744,922	\$	24,898,220	\$	27,151,757	\$	27,702,226	\$	28,638,983
	327,018		374,143		561,098		505,758		544,565
	7,900,601		2,396,344		3,735,071		2,786,560		2,603,536
	4,414,534		5,490,254		5,851,289		6,337,573		6,628,550
	39,499		45,645		30,590		40,764		50,778
	630,382		426,668		1,625,053		4,272,183		3,233,882
	2,375,806		1,236,772		2,971,783		2,056,731		3,682,441
	38,432,762		34,868,046		41,926,641		43,701,795		45,382,735
	2,956,992		4,623,321		3,623,367		3,887,420		3,699,777
	9,552,921		9,710,939		9,987,797		10,926,295		13,017,749
	5,995,892		6,131,015		13,302,039		9,752,486		13,994,027
	199,868		208,713		331,104		302,159		334,349
	7,703,220		9,869,686		15,397,351		36,441,402		18,225,616
	1,295,007		1,283,855		3,229,170		2,012,298		2,163,672
	4,406,952		2,583,266		3,444,556		3,148,760		3,378,054
	1,989,745		1,321,431		1,946,303		2,675,423		2,690,044
	3,500		3,000		8,320		14,020		11,790
	251,127		106,665		495,799		-		-
	34,355,224		35,841,891		51,765,806		69,160,263		57,515,078
	4,077,538		(973,845)		(9,839,165)		(25,458,468)		(12,132,343)
	8,585		27,039		217,382		18,360		41,724
	21,760,000		9,370,000		35,930,000		-		-
	1,515,332		238,955		2,313,356		-		-
	(23,077,569)		-		-		-		-
	6,589,800		4,644,144		10,363,208		6,279,030		7,731,117
	(5,086,000)		(7,475,000)		(8,371,608)		(3,858,480)		(5,192,617)
	1,710,148		6,805,138		40,452,338		2,438,910		2,580,224
	-		(472,746)		(154,163)		-		-
\$	5,787,686	\$	5,358,547	\$	30,459,010	\$	(23,019,558)	\$	(9,552,119)
	21.0%		13.1%		14.9%		15.9%		14.5%

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Statistics (Unaudited)

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
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%
2024	2,076,504,505	782,768,483	2,859,272,988	1.69	3,363,850,574	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						Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Total School Millage	Special Districts	
2015	2.33	0.35	2.68	3.31	0.00	3.31	13.47	13.47	0.90	20.36
2016	2.24	0.34	2.58	3.20	0.00	3.20	12.09	12.09	0.84	18.71
2017	2.19	0.32	2.51	3.15	0.00	3.15	11.13	11.13	0.84	17.63
2018	2.21	0.32	2.53	3.17	0.00	3.17	11.49	11.49	0.49	17.68
2019	2.15	0.31	2.47	3.11	0.00	3.11	11.29	11.29	0.80	17.67
2020	2.12	0.31	2.43	3.10	0.00	3.10	11.25	11.25	0.77	17.54
2021	2.04	0.00	2.04	3.07	0.00	3.07	11.06	11.06	0.74	16.91
2022	1.86	0.00	1.86	2.84	0.00	2.84	10.55	10.55	0.70	15.95
2023	1.76	0.00	1.76	2.67	0.00	2.67	10.21	10.21	0.64	15.28
2024	1.69	0.00	1.69	2.53	0.00	2.53	9.48	9.48	0.54	14.24

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Table 7
Principal Taxpayers
Current Year and Ten Years Ago

Taxpayer	2024			2015		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Terex South Dakota Inc	\$ 23,681,668	1	0.83%	\$ -	-	-
Glacial Lakes Energy	24,216,892	2	0.85%	10,582,914	1	0.73%
The Plains Apartments LLC	14,942,871	3	0.52%	-	-	-
Watertown Co-op Elevator	14,830,913	4	0.52%	9,222,231	3	0.63%
Wal-Mart Real Estate Business Trust	11,490,862	6	0.40%	10,279,090	2	0.71%
Watertown Development Co.	9,625,308	5	0.34%	4,684,752	8	0.32%
38th ST Investment Co.	9,488,110	7	0.33%	-	-	-
Watertown Lodging Associates LLC	8,995,855	8	0.31%	6,784,552	5	0.47%
Menards	8,724,825	9	0.31%	8,533,101	4	0.59%
David E & Charlotte M McElhany	8,659,284	10	0.30%	-	-	-
Les McElhany & David McElhany	-	-	-	4,502,825	9	0.31%
Watertown Plaza LLC	-	-	-	5,855,917	6	0.40%
DBI Holdings LLC	-	-	-	5,055,303	7	0.35%
McFleeg Inc	-	-	-	4,381,593	10	0.30%
Totals	134,656,588		4.71%	69,882,278		4.79%

Entire City Assessed Valuation for 2024: \$ 2,859,272,988

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	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
Year Ended Dec. 31,	for the Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Levy
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	7,450	5,280,516	99.85
2021	5,264,064	5,261,288	99.95	850	5,262,138	99.96
2022	5,145,637	5,102,864	99.17	16,206	5,119,070	99.48
2023	5,145,637	5,102,864	99.17	39,083	5,141,947	99.93
2024	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 2024 tax levy will be collected in the year 2025, 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)
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
2024	10,662,829	10,662,829	10,662,829

(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				% 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	Total Primary Government			
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
2024	-	734,405	56,405,000	1,620,871	1,783,087	3,349,730	24,019,410	160,792	88,073,295	16.99%	518,446,588	3,888

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

City of Watertown
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Statistics (Unaudited)

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

Fiscal Year	Population(1)	Value (2)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Assessed Value of Property	Percentage of Personal Income	Per Capita
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%	-
2024	22,655	2,859,272,988	-	-	-	0.00%	0.00%	-

Table 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2024

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School District	\$ 21,995,000	80.0%	\$ 17,596,000
Subtotal, overlapping debt			17,596,000
City of Watertown direct debt			-
Total direct and overlapping debt			<u>\$ 17,596,000</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.

City of Watertown
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Statistics (Unaudited)

Table 13
Legal Debt Margin Information
Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020
Debt Limit (5% limit)	\$ 76,017,872	\$ 80,625,333	\$ 85,429,030	\$ 88,154,712	\$ 93,650,314	\$ 98,161,559
Total net debt applicable to limit	42,688,558	40,675,202	38,266,187	35,821,355	33,300,546	27,063,594
Legal debt margin	33,329,314	39,950,131	47,162,843	52,333,357	60,349,768	71,097,965
Total net debt applicable to the limit as a percentage of debt limit	56.16%	50.45%	44.79%	40.63%	35.56%	27.57%

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.

City of Watertown
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Statistics (Unaudited)

	2021	2022	2023	2024
Debt Limit (5% limit)	\$ 103,651,261	\$ 116,659,239	\$ 130,401,065	\$ 142,963,649
Total net debt applicable to limit	33,850,328	66,335,772	63,187,012	60,543,363
Legal debt margin	69,800,933	50,323,467	67,214,053	82,420,286
Total net debt applicable to the limit as a percentage of debt limit	32.66%	56.86%	48.46%	42.35%

Legal Debt Margin Calculation for Fiscal Year 2024

	"No-Limit" Debt	Debt Capacity at 5% (Unrestricted)	Additional 10% Debt Capacity (Water/Sewer)
2024 Assessed Value	\$2,859,272,988		
Maximum Debt Capacity:	\$ -	\$ 142,963,649	\$ 285,927,299
Existing Bonds:			
SRF Loan No. 5 (Wastewater Revenue Surcharge)	37,534	-	-
SRF Loan No. 6-CW (Sales Tax)	-	308,828	-
SRF Loan No. 6-NPS (Sales Tax)	-	25,440	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	203,592	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	20,427	-	-
SRF Loan No. 8-CW (Sales Tax)	-	132,074	-
SRF Loan No. 8-NPS (Sales Tax)	-	14,778	-
SRF Loan No. 10-CW (Sales Tax)	-	1,053,932	-
SRF Loan No. 11-CW (Sales Tax)	-	85,819	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	3,908,307	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	1,929,314	-	-
SRF Loan No. 14-CW (Wastewater Revenue Surcharge)	4,853,973	-	-
Wastewater Revenue Bonds - 2020 Refunding	4,300,000	-	-
Water Revenue Bonds - 2020 Refunding	5,130,000	-	-
SRF Loan No. 2 - DW (Water Revenue Surcharge)	682,516	-	-
SRF Loan No. 4 - DW (Water Revenue Surcharge)	412,075	-	-
SRF Loan No. 5 - DW (Water Revenue Surcharge)	1,177,715	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue)	24,425	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste Revenue)	1,339,532	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	610,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	15,565,000	-
2021 Sales Tax Revenue Bonds	-	6,350,000	-
2022 Sales Tax Revenue Bonds	-	17,405,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	6,715,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	9,760,000	-
2021 Tax Increment Bond	-	1,783,087	-
Direct Financing Leases	-	734,405	-
Total Bonded Debt	24,019,410	60,543,363	-
Total Debt	24,019,410	60,543,363	-
Available Debt Capacity	N/A	\$ 82,420,286	\$ 285,927,299

City of Watertown
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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
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
2024	18,543,624	13,257,447	5,286,177	2,560,226	306,907	1.84	10,662,829	3,045,000	2,047,104	2.09

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.

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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)
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%
2024	22,655	29,346	39.4	13.0	3,535	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.

City of Watertown
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Statistics (Unaudited)

Table 16
Principal Employers
Current Year and Ten Years Ago

Employer	2024			2015		
	Employees	Rank	Percentage of Total City Employed	Employees	Rank	Percentage of Total City Employed
Watertown School District	900	1	3.97%	910	1	4.24%
Prairie Lakes Healthcare System	734	2	3.24%	547	3	2.55%
Terex Utilities	670	3	2.96%	567	2	2.64%
HyVee	414	4	1.83%	485	4	2.26%
City of Watertown	350	5	1.54%	336	6	1.56%
Walmart Supercenter	350	6	1.54%	-		-
Crenlo	323	7	1.43%	320	7	1.49%
Persona, Inc	285	8	1.26%	-		-
Premier Bankcard	270	9	1.19%	380	5	1.77%
Spartronics	265	10	1.17%	272	8	1.27%
Dakota Bodies	-		-	242	10	1.13%
Jenkins Living Center	-		-	270	9	1.26%
Total	4,561		20.13%	4,329		20.15%

Source: Watertown Development Company

City of Watertown
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Statistics (Unaudited)

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

Function/Program	Full-Time Equivalent Employees as of December 31									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government										
Mayor/City Council	11.50	11.50	11.50	11.50	11.50	11.50	7.00	7.00	7.00	7.00
City Manager	-	-	-	-	-	-	1.50	1.50	2.00	4.00
Attorney	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	3.00
Finance	7.04	7.00	7.11	7.00	6.11	5.59	5.00	5.00	5.00	5.00
Information Technology	3.00	3.00	3.00	3.12	3.36	3.36	3.60	3.60	4.00	4.00
City Hall	-	-	-	0.50	0.60	0.40	0.40	0.40	-	-
Engineering	7.00	7.00	7.58	7.58	7.58	7.58	7.58	7.58	6.81	6.00
Public Safety										
Police	42.12	42.05	42.40	42.40	42.70	45.36	45.70	45.70	45.33	46.00
E-911	12.35	12.81	13.30	13.30	13.60	12.34	15.60	15.60	13.76	14.00
Fire/Ambulance	37.03	38.00	39.20	39.00	39.49	40.15	39.49	39.49	40.45	40.00
Public Works										
Admin	-	-	-	-	-	-	-	-	-	2.00
Streets	13.62	14.51	16.18	16.55	17.02	17.55	17.02	17.02	17.45	16.00
Cemetery	3.10	2.63	3.08	3.12	3.20	3.80	3.20	3.20	3.67	2.00
Building Services	4.47	4.47	4.48	5.00	5.00	6.00	6.00	6.00	5.00	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	2.00
Culture and Recreation										
Park and Recreation	55.04	52.40	59.19	61.80	61.09	61.78	63.79	63.79	58.34	33.50
Prairie Lakes Wellness Center	15.06	14.11	22.82	28.33	27.35	26.10	23.95	24.95	23.13	7.00
Forestry	3.43	3.22	3.48	3.48	3.48	4.37	5.48	5.48	4.25	4.50
Library	11.54	11.01	11.97	11.97	12.29	12.80	12.29	12.29	11.15	9.00
Conservation & Development										
Sioux River Watershed Project	1.77	1.66	1.65	1.65	1.65	1.00	1.00	1.00	-	-
Urban Renewal	0.01	-	-	-	-	-	-	-	-	-
Wastewater	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	13.48	15.00
Refuse Collection	16.69	16.58	16.76	16.76	16.76	16.76	16.76	16.76	17.50	17.00
Airport	4.49	4.05	4.63	4.63	7.63	6.63	8.00	8.00	8.39	7.00
Electric	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	28.75	29.30
Gas	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	16.50	17.60
Water	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	18.75	18.10

Source: City Departments

City of Watertown
Annual Comprehensive Financial Report
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Statistics (Unaudited)

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

Function/Program	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police										
Physical Arrests	2,420	2,289	2,374	3,004	3,520	2,401	2,212	1,671	2,619	2,724
Accidents	738	737	694	771	886	639	651	674	641	615
Traffic Violations	1,344	1,647	1,697	1,372	1,536	1,639	1,707	1,178	1,606	2,265
Fire										
Emergency Responses	2,298	2,392	2,514	2,674	2,752	2,873	2,956	3,024	2,968	3,016
Fire Calls	445	456	466	577	730	770	778	880	894	1,053
Inspections	493	543	329	269	241	285	300	463	561	490
Solid Waste										
Refuse Deposited (tons per day)	159	142	164	182	181	207	181	192	200	204
Recyclables collected (tons per day)	3	3	3	3	3	3	3	3	3	3
Other Public Works										
Crack Sealed Streets (blocks)	98	130	272	143	184	111	111	96	48	72
Seal Coat Streets (blocks)	139	160	63	65	112	83	83	49	41	67
Street Resurfacing (blocks)	49	50	50	109	32	56	3	9	9	9
Parks and Recreation										
Prairie Lakes Wellnes Center Members	5,192	4,897	7,514	8,110	8,119	8,307	8,455	10,457	11,228	10,433
Participants in Youth Programs	5,974	5,913	5,408	5,706	5,814	2,673	5,916	6,123	6,424	6,690
Library										
Items in Collection	144,826	148,505	155,468	163,040	175,210	177,766	178,274	176,854	201,875	190,033
Total Items Loaned	235,897	252,448	250,614	237,579	251,675	192,374	236,927	219,484	226,579	234,569
Wastewater										
Avg sewage treatment (mill gal per day)	2.46	2.44	3.06	2.83	4.47	3.46	3.00	3.22	2.80	3.32
Airport										
Boardings per year	2,820	2,770	10,600	12,084	11,681	7,225	18,265	14,526	15,073	14,161

Source: City Departments

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2024

Statistics (Unaudited)

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

Function/Program	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	14	14	14	14	14	14	14	14	13	13
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection Trucks	7	8	8	8	8	8	8	8	8	8
Other public works										
Streets (miles)	174	175	220	220	202	204	205	205	206	206
Streetlights	2,676	2,691	2,707	2,795	2,830	2,854	2,854	2,842	2,933	2,933
Traffic signals	31	35	32	32	30	24	24	24	24	24
Parks and Recreation										
Acreage	712	712	712	717	717	725	725	775	775	714
Derby Downs clubhouse & arena (acres)	80	80	80	80	80	80	80	65	65	65
Playgrounds	21	21	21	21	22	23	23	23	23	23
Baseball/softball fields	18	23	23	23	23	23	23	23	23	26
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





Independent Auditor's 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*

To the Honorable Mayor and Members of the City Council
City of Watertown
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 (*Government Auditing Standards*), the 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 (the "City"), as of and for the year then ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Watertown's basic financial statements and have issued our report thereon dated August 27, 2025.

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 City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
August 27, 2025



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council
City of Watertown
Watertown, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Watertown's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City of Watertown's major federal program for the year ended December 31, 2024. The City of Watertown's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Watertown complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2024.

Basis for Opinion on the 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 the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Watertown Housing and Redevelopment Commission (discretely presented component unit), which expended \$1,333,940 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2024. Our compliance audit, described in the "Opinion on the Major Federal Program" does not include the operations of the Watertown Housing and Redevelopment Commission because the component unit has a separately issued audit in accordance with 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).

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 the 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 the 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 the 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

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 in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 purpose.

Handwritten signature of Erik Bailly LLP in cursive script.

Fargo, North Dakota
August 27, 2025

City of Watertown
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
<u>Department of Interior</u>			
<i>Indirect Federal Funding passed through:</i>			
State of South Dakota Department of Game, Fish & Parks			
Land & Water Conservation Fund	15.916	46-01580	\$ 71,485
<u>Department of Transportation</u>			
<i>Indirect Federal Funding passed through:</i>			
State of South Dakota Department of Transportation			
Airport Improvement Program	20.106	3-46-0058-38-2021	\$ 99,477
Airport Improvement Program	20.106	3-46-0058-41-2023	800,668
Airport Improvement Program	20.106	3-46-0058-42-2023	769,539
Airport Improvement Program	20.106	3-46-0058-43-2023	73,208
Airport Improvement Program	20.106	3-46-0058-44-2023	30,086
Airport Improvement Program	20.106	3-46-0058-45-2024	1,276,717
Airport Improvement Program	20.106	3-46-0058-46-2024	<u>916,336</u>
			\$ 3,966,031
State of South Dakota Department of Game, Fish & Parks			
Recreational Trails Program	20.219	N/A	198,000
State of South Dakota Department of Public Safety			
Office of Highway Safety			
Highway Safety Grant	20.608	2024-00-25	27,849
State of South Dakota Office of Emergency Management			
Hazardous Materials Public Sector Training & Planning Grant	20.703	693JK322NF0011HMEP	<u>17,512</u>
Total Department of Transportation			4,209,392
<u>Department of Treasury</u>			
<i>Direct Federal Funding:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		3,457,315
<i>Indirect Federal Funding passed through:</i>			
South Dakota Department of Agriculture and Natural Resources			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	515,929
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>1,732,806</u>
			5,706,050
<u>General Services Administration</u>			
<i>Indirect Federal Funding passed through:</i>			
South Dakota Federal Property Agency			
Donation of Federal Surplus Personal Property	39.003	N/A	98
<u>Department of Homeland Security</u>			
<i>Indirect Federal Funding passed through:</i>			
South Dakota Department of Public Safety			
Homeland Security Grant Program	97.067	HLS-2024-RR1106	21,968
Homeland Security Grant Program	97.067	69A37522300004020SDO	<u>69,126</u>
			91,094
Disaster Grants-Public Assistance (Presidentially Declared Disast	97.036	SD-4718-PW-00139	77,623
Disaster Grants-Public Assistance (Presidentially Declared Disast	97.036	SD-4656-PW-001530(0)	621,459
Disaster Grants-Public Assistance (Presidentially Declared Disast	97.036	DR-4718-SD	<u>61,933</u>
			761,015
Total Department of Homeland Security			852,109
<u>Department of Health & Human Services</u>			
<i>Indirect Federal Funding passed through:</i>			
South Dakota Department of Social Services			
Low Income Home Energy Assistance Program	93.568	N/A	65,200
<u>Department of Energy</u>			
<i>Direct Federal Funding:</i>			
Transportation Security Administration			
Law Enforcement Officer Reimbursement Agreement Program	97.090	70T02021T6114N037	<u>8,155</u>
Total Federal Financial Assistance			<u>\$ 10,912,489</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2024. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2024-001 Material Journal Entries, Including Correction of Errors
Material Weakness**

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed audit adjustments and also identified areas that management needed to correct, including accounts payable, compensated absences under GASB Statement No. 101, and leases under GASB Statement No. 87, that would not have been corrected as a result of the City’s existing internal controls, and therefore could have resulted in a misstatement of the City’s financial statements. Additionally, we proposed adjustments to beginning lease receivable, deferred inflows of resources, and fund balance/net position, to correct an error on reporting a transaction in previous years.

Cause – The City does not have an internal control system designed to identify all necessary adjustments.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

**2024-002 Segregation of Duties – Year-end Account Reconciliations and Related Journal Entries
Material Weakness**

Criteria – Management is responsible for monitoring year-end reconciliations and journal entries posted to the general ledger.

Condition – During the process to gain an understanding over the City’s financial reporting process and the testing of individual journal entries and year-end reconciliations, it was noted that most year-end journal entries are prepared and posted by the same individual within the City’s financial reporting system.

Cause – A lack of segregation of duties and review process over year-end journal entries and reconciliations allows for potentially unapproved entries to be posted to the general ledger or balances to be improperly adjusted.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – We recommend the City implement policies and procedures that restricts the same individual from have the ability to prepare and post year-end entries into the general ledger, as well as a formal review process for year-end reconciliations.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

2024-003 **Department of Treasury, Passed through South Dakota Department of Agriculture and Natural Resources**
Federal Financial Assistance Listing No. 21.027
COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Reporting

Material Weakness in Internal Control over Compliance

Criteria – A good system of internal accounting control contemplates an adequate system for ensuring that all reports are completed accurately and reviewed appropriately.

Condition – During the course of our engagement, we noted that the annual project and expenditure report submitted during the year ended December 31, 2024, was not reviewed prior to submission and had amounts reported that did not agree to the general ledger system of the City.

Cause – The City does not have an internal control system designed to review that information submitted on the annual project and expenditure report is submitted accurately.

Effect – The control deficiency could result in the City’s project and expenditure report is not being completed accurately.

Questioned Costs – None reported

Context/Sampling – The entirety of the annual reporting requirement was tested.

Repeat Finding from Prior Years – No

Recommendation – Management should put procedures in place to ensure that the annual project and expenditure is reviewed for accuracy prior to submission.

View of responsible officials – There is no disagreement with the audit finding.



Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2024

Prepared by Management of
City of Watertown



Summary Schedule of Prior Audit Findings

None noted.

Corrective Action Plans

Finding 2024-001 Material Journal Entries, Including Correction of Errors

Material Weakness

<i>Finding Summary:</i>	During the engagement, Eide Bailly LLP proposed audit adjustments and identified areas that needed corrections, including accounts payable, compensated absences under GASB Statement No. 101, and leases under GASB Statement No. 87. Additionally, Eide Bailly LLP proposed adjustments to beginning lease receivable, deferred inflows of resources, and fund balance/net position to correct an error on reporting a transaction in previous years.
<i>Responsible Individuals:</i>	Kristen Bobzien, Chief Financial Officer
<i>Corrective Action Plan:</i>	The City will revise procedures to ensure a thorough review and reconciliation of accounts in each fund are done prior to the beginning of the audit and will ensure all transactions are recorded in accordance with the City's policies.
<i>Anticipated Completion Date:</i>	December 31, 2025

Finding 2024-002 Segregation of Duties – Year-end Account Reconciliation and Related Journal Entries

Material Weakness

<i>Finding Summary:</i>	During the engagement, Eide Bailly LLP noted the City did not have adequate review procedures for year-end account reconciliation and related journal entries.
<i>Responsible Individuals:</i>	Kristen Bobzien, Chief Financial Officer
<i>Corrective Action Plan:</i>	The City will consider additional training options for City staff to allow for more individuals with the ability to prepare and post year-end entries. The City feels at this time, the costs of hiring additional staff would not be significantly beneficial.
<i>Anticipated Completion Date:</i>	December 31, 2025

Corrective Action Plans (continued)

Finding 2024-003 **Department of Treasury, Passed through the Department of Agriculture and Natural Resources**

Federal Financial Assistance Listing No. 21.027

COVID-19 Coronavirus State and Local Fiscal Recovery Funds Reporting

Material Weakness in Internal Control over Compliance

Finding Summary: During the engagement, Eide Bailly LLP noted the annual project and expenditure report submitted during the year ended December 31, 2024, was not reviewed prior to submission and had amounts reported that did not agree to the general ledger system of the City.

Responsible Individuals: Kristen Bobzien, Chief Financial Officer

Corrective Action Plan: The City will put procedures in place to ensure the annual project and expenditure report is reviewed for accuracy prior to submission.

Anticipated Completion Date: December 31, 2025