



# **City of South Milwaukee**

Financial Statements and  
Supplementary Information

December 31, 2022

# **City of South Milwaukee**

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# **City of South Milwaukee**

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## **Independent Auditors' Report**

To the Honorable Mayor and Common Council of  
City of South Milwaukee

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of South Milwaukee (the City), as of and for the year ended December 31, 2022 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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 (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

#### ***Emphasis of Matter***

As discussed in Note 1, the City adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' 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 auditors' 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 GAS 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 GAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
September 22, 2023

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## Management's Discussion and Analysis

(unaudited)

As management of the City of South Milwaukee ("the City"), we offer readers of the City of South Milwaukee's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. Comparative government-wide data from the prior year is included for a comprehensive discussion of the City of South Milwaukee's change in net position.

The City of South Milwaukee is a community of approximately 20,795 residents located in Milwaukee County, Wisconsin. The City of South Milwaukee is a community with a commitment to maintaining assets through a capital projects program.

### ***Financial Highlights***

The assets and deferred outflows of the City of South Milwaukee exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$31.1 million (net position).

The government's total net position increased in total by \$6.2 million from 2021 to 2022.

As of the close of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$31.1 million, an increase of \$7.46 million in comparison with the prior year.

The total long-term obligations for the City of South Milwaukee increased by approximately \$4 million during the current fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City of South Milwaukee's basic financial statements. The City of South Milwaukee's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City of South Milwaukee's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference between assets/deferred outflows and liabilities/deferred inflows 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 of South Milwaukee is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 the future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, and earned but unused comp time).

Both of the government-wide financial statements distinguish functions of the City of South Milwaukee 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 of South Milwaukee include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library and conservation MDA and development. The business-type activities of the City of South Milwaukee include a Water Utility, a Sewer Utility, a Storm Water Utility, and Parkcrest Housing Authority.

The Water Utility, Storm Water Utility, and Sewer Enterprise Fund function for all practical purposes as departments of the City of South Milwaukee, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Milwaukee, 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 of South Milwaukee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of South Milwaukee maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, special revenue fund – tax incremental district funds, special revenue fund – american rescue plan act fund, capital project fund – tax incremental district #5 and the capital projects - public works project fund, all of which are considered to be major funds. Data from the other 19 governmental funds are combined and titled Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

The City of South Milwaukee adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

**Proprietary funds.** The City of South Milwaukee maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Milwaukee uses enterprise funds to account for its Water, Storm Water, and Sewer Utilities and Parkcrest Housing Authority. The City of South Milwaukee maintains an Internal Service Fund that is presented as governmental activities in the government-wide financial statements. The City of South Milwaukee uses this fund to account for its self-insurance activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utilities, both of which are considered to be major funds of the City of South Milwaukee.

The basic proprietary fund financial statements can be found on pages 17-20 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of South Milwaukee's own programs. The only fiduciary fund maintained by the City of South Milwaukee is the Trust and Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of South Milwaukee. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**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. The notes to the financial statements can be found on pages 23-68 of this report.

**Supplementary information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 75-78 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Milwaukee, assets and deferred outflows exceeded liabilities and deferred inflows by \$31.1 million at the close of the most recent fiscal year, as presented in the following table.

CITY OF SOUTH MILWAUKEE NET POSITION  
December 31, 2022 and 2021  
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 59,478	\$ 46,988	\$ 13,075	\$ 10,822	\$ 72,553	\$ 53,902
Capital assets, net of depreciation	26,983	25,232	48,258	45,560	75,241	64,989
Total assets	86,461	72,220	61,333	56,382	147,794	118,891
Deferred outflows of resources	17,567	13,172	1,980	1,470	19,547	14,642
Current and other liabilities	4,281	2,455	635	658	4,916	3,113
Noncurrent liabilities	60,311	58,457	26,914	24,462	87,225	82,919
Total liabilities	64,592	60,912	27,549	25,120	92,141	86,032
Deferred inflows of resources	40,110	29,686	4,015	2,676	44,125	32,362
Net position (Deficit)						
Net investment in capital assets	1,015	1,531	25,580	24,923	26,595	26,454
Restricted	14,244	10,243	2,761	2,536	17,005	12,779
Unrestricted (deficit)	(15,933)	(16,979)	3,408	2,597	(12,525)	(14,382)
Total net position (deficit)	\$ (674)	\$ (5,205)	\$ 31,749	\$ 30,056	\$ 31,075	\$ 24,851

The City of South Milwaukee's governmental activities net position includes \$1,015,579 of investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding as negative. City of South Milwaukee uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Milwaukee'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.

**Governmental activities.** Governmental activities increased net position by \$4.53 million.

**Business-type activities.** Business-type activities increased the net position by \$1.69 million.

The following is a more detailed review of the year's operation.

**CITY OF SOUTH MILWAUKEE'S CHANGES IN NET POSITION**

**For the years ending December 31, 2022 and 2021**

(In Thousands)

	Governmental		Business-Type		Total	
	Activities	2022	Activities	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 3,299	\$ 3,214	\$ 9,518	\$ 9,525	\$ 12,817	\$ 12,739
Operating grants and contributions	1,618	2,891	249	162	1,867	3,053
Capital grants and contributions	-	-	651	-	651	-
General revenues						
Property taxes	13,769	13,232	-	-	13,769	13,232
Other taxes	43	29	-	-	43	29
Intergovernmental revenues not restricted to specific programs	5,464	4,397	-	-	5,464	4,397
Investment income	444	15	90	6	534	21
Miscellaneous/Other	607	486	9	227	616	713
Total revenues	<u>25,244</u>	<u>24,264</u>	<u>10,517</u>	<u>9,920</u>	<u>35,761</u>	<u>34,184</u>
Expenses						
General government	3,409	3,963	-	-	3,409	3,963
Protection of persons and property	7,871	8,672	-	-	7,871	8,672
Pubic works	6,110	5,758	-	-	6,110	5,758
Conservation and development	541	329	-	-	541	329
Health and human services	1,275	1,275	-	-	1,275	1,275
Library	819	847	-	-	819	847
Parks and recreation	164	156	-	-	164	156
Other	30	17	-	-	30	17
Interest and fiscal charges	1,014	822	-	-	1,014	822
Water	-	-	3,799	2,837	3,799	2,837
Wastewater	-	-	3,121	3,166	3,121	3,166
Stormwater	-	-	868	694	868	694
Parkcrest	-	-	515	534	515	534
Total expenses	<u>21,233</u>	<u>21,839</u>	<u>8,303</u>	<u>7,231</u>	<u>29,536</u>	<u>29,070</u>
Increase (decrease) in net position before transfers	4,011	2,425	2,214	2,689	6,225	5,114
Transfers	521	503	(521)	(503)	-	-
Increase (decrease) in net position	4,532	2,928	1,693	2,186	6,225	5,114
Net position - January 1, 2022	<u>(5,206)</u>	<u>(8,134)</u>	<u>30,056</u>	<u>27,870</u>	<u>24,850</u>	<u>19,736</u>
Net position - December 31, 2022	<u>\$ (674)</u>	<u>\$ (5,206)</u>	<u>\$ 31,749</u>	<u>\$ 30,056</u>	<u>\$ 31,075</u>	<u>\$ 24,850</u>

### ***Financial Analysis of the Government's Funds***

As noted earlier, the City of South Milwaukee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of South Milwaukee'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 requirements. 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 the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$31.1 million, an increase of approximately \$7.46 million in comparison with the prior year.

The general fund is the chief operating fund of the City of South Milwaukee. At the end of the current fiscal year total fund balance amounted to \$6,103,633.

The debt service fund has a total fund balance of \$859,035 which is restricted for debt service requirements.

The special revenue fund - American rescue plan act has a total fund balance of \$33,206 which is restricted for expenses allowed under the American rescue plan act.

The special revenue fund – tax increment district funds has a total fund balance of \$1,160,707 which is restricted for tax increment district projects.

The capital project fund – public works projects has a total fund balance of \$10,384,593 which is committed for future public work projects.

**Proprietary funds.** The City of South Milwaukee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility at the end of the year amounted to \$(120,735). The Sewer Utility had unrestricted net position of \$2,583,470. The Stormwater Utility had unrestricted net position of \$685,567. The change in net position for the funds was an increase in the Water Utility amounting to \$99,782, an increase in the Sewer Utility of \$1,312,272 and an increase in the Stormwater Utility of \$208,471. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of South Milwaukee's business-type activities.

### ***General Fund Budgetary Highlights***

No budget amendments were adopted during 2022. The City's General Fund has \$771,571 less in revenues and other financing sources than expenditures and other financing uses on a budgetary basis.

## Capital Asset and Debt Administration

**Net investment in capital assets.** The City of South Milwaukee's investment in capital assets for its governmental and business-type activities as of December 31, 2022 amounts to \$75.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

### City of South Milwaukee Capital Assets (Net Accumulated Depreciation/Amortization)

As of December 31, 2022 and 2021

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land & improvements	\$ 2,989	\$ 2,989	\$ 17	\$ 17	\$ 3,006	\$ 3,006
Intangible assets	81	91	110	110	191	201
Construction in progress	2,514	194	3,992	665	6,506	859
Structures and improvements	7,540	7,812	6,810	6,761	14,350	14,573
Machinery & equipment	3,057	3,292	12	13	3,069	3,305
Library Books	299	327	-	-	299	327
Infrastructure	10,503	10,526	37,317	37,994	47,820	48,520
<b>Total</b>	<b>\$ 26,983</b>	<b>\$ 25,231</b>	<b>\$ 48,258</b>	<b>\$ 45,560</b>	<b>\$ 75,241</b>	<b>\$ 70,791</b>

Additional information on the City of South Milwaukee's capital assets can be found in Note 4 on pages 41-42 of this report.

**Long-term obligations.** At the end of the current fiscal year, the City of South Milwaukee had total obligations outstanding of \$87 million. Of this amount, \$40.1 million was for the City's General Obligation debt which included TIF #1, TIF #2 and TIF #3.

### CITY OF SOUTH MIWAUKEE LONG-TERM OBLIGATIONS

As of December 31, 2022 and 2021

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Debt	\$ 35,432	\$ 29,392	\$ 4,668	\$ 4,423	\$ 40,100	\$ 33,815
Premium on Debt Issued	803	471	146	118	949	589
Revenue Bonds	-	-	18,357	16,310	18,357	16,310
Net Pension Liability	-	-	-	-	-	-
Net OPEB Liability	895	922	197	172	1,092	1,094
Total OPEB Liability	22,202	26,618	3,445	3,342	25,647	29,960
Accumulated Sick Pay	979	1,054	101	97	1,080	1,151
<b>Total</b>	<b>\$ 60,311</b>	<b>\$ 58,457</b>	<b>\$ 26,914</b>	<b>\$ 24,462</b>	<b>\$ 87,225</b>	<b>\$ 82,919</b>

The City of South Milwaukee had a bond rating by Moody's Investor Service of Aa2 for its general obligation debt in 2022. This reflects the City's strong financial position and moderate debt burden.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The debt limitation as of December 31, 2022 for the City of South Milwaukee is \$85.7 million which is significantly in excess of the City of South Milwaukee's outstanding general obligation debt of \$40.1 million.

Additional information on the City of South Milwaukee's long-term debt can be found in Note 4 on pages 45-48 of this report.

### ***Economic Factors and Next Year's Budgets and Rates***

South Milwaukee's bond rating by Moody's Investor Service is an Aa2. This reflects the City's strong financial position, responsible spending and moderate debt burden.

The Plan Commission and Common Council continue to encourage and oversee redevelopment in the City's four Tax Increment Financing (TIF) districts and pursue other redevelopment opportunities. Many successful projects have been completed in TIDs 1, 2, and 3, creating increased property values in these areas. The economic standing of TID 2 following the completion of major projects has allowed the City to pursue its status as a donor TID in 2019. TID 4 was an industrial TID approved in 2006 to assist with the retention and expansion of Bucyrus International (now Caterpillar). TID 4 closed in 2019. Due to recent conditions in downtown South Milwaukee, the City created TID 5 to spur reinvestment and catalyze downtown activation effective January 1, 2019.

The City sought and received a designation for the downtown as an Opportunity Zone as outlined in the 2017 Tax Cuts and Jobs Act. The City nominated both eligible census tracts in South Milwaukee, one of which was selected by the State of Wisconsin for consideration by the federal government. The federal government affirmed the nomination, which will allow three types of investments to flow to the designated census tract over a 10-year period. This census tract includes land in downtown South Milwaukee spanning from Rawson to Blake/Columbia and 14th Avenue to 9th Avenue.

The City of South Milwaukee continues to offer what is now known as the Bucyrus Downtown Revitalization Grant to property/business owners located in the central business district. The grant provides up to \$30,000 in matching funds. Grant funds have been awarded and are currently receiving updates that enhance the downtown and generate economic activity. The City of South Milwaukee also continues to work with the South Shore Chamber of Commerce, and the Aerotropolis Milwaukee Board. The City's involvement in these associations continues to generate business transactions in the South Milwaukee community.

We continue to look for new and creative ways in order to make the delivery of our services more efficient. Some of the changes we enacted were to introduce the use of automated garbage collection and using our neighboring resource of the City of Oak Creek to provide us with IT services. South Milwaukee will continue to look for new and creative ways to make use of our neighboring communities, other governmental agencies, and our community's resources.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of South Milwaukee's finances 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 City Clerk, City of South Milwaukee, 2424 15<sup>th</sup> Avenue, South Milwaukee, Wisconsin 53172.

## **BASIC FINANCIAL STATEMENTS**

**City of South Milwaukee**

Statement of Net Position  
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash and investments	\$ 42,533,842	\$ 6,392,854	\$ 48,926,696
Receivables:			
Taxes	6,774,291	1,055,610	7,829,901
Accounts	1,996,137	874,375	2,870,512
Special assessments	36,153	-	36,153
Interest	26,204	-	26,204
Leases	1,110,733	127,116	1,237,849
Accrued revenue	-	1,432,205	1,432,205
Internal balances	199,914	(199,914)	-
Prepaid items and inventories	-	80,878	80,878
Other assets	-	5,160	5,160
Restricted assets:			
Cash and investments	-	2,676,619	2,676,619
Net pension asset	6,800,798	629,862	7,430,660
Capital assets:			
Land	2,988,589	16,596	3,005,185
Intangible assets	33,758	110,000	143,758
Construction in progress	2,514,436	3,992,107	6,506,543
Other capital and intangible assets, net of depreciation/amortization	21,446,407	44,139,582	65,585,989
Total assets	<u>86,461,262</u>	<u>61,333,050</u>	<u>147,794,312</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	8,754	-	8,754
Deferred outflows related to OPEB, LRLIF	305,955	51,434	357,389
Deferred outflows related to OPEB, health	4,154,954	644,625	4,799,579
Deferred outflows related to pension	13,097,119	1,283,627	14,380,746
Total deferred outflows of resources	<u>17,566,782</u>	<u>1,979,686</u>	<u>19,546,468</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,558,834	480,263	2,039,097
Accrued interest payable	391,135	108,572	499,707
Deposits	135,439	18,460	153,899
Unearned revenues	2,195,535	27,005	2,222,540
Noncurrent liabilities:			
Due within one year	3,204,725	2,254,939	5,459,664
Due in more than one year	57,105,782	24,659,296	81,765,078
Total liabilities	<u>64,591,450</u>	<u>27,548,535</u>	<u>92,139,985</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	15,957,426	1,536,050	17,493,476
Deferred inflows related to OPEB, health	7,739,178	1,200,701	8,939,879
Deferred inflows related to OPEB, LRLIF	144,648	31,241	175,889
Unearned revenue	16,269,039	1,247,441	17,516,480
Total deferred inflows of resources	<u>40,110,291</u>	<u>4,015,433</u>	<u>44,125,724</u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	1,015,579	25,579,919	26,595,498
Restricted:			
Debt service	467,900	-	467,900
Library	365,453	-	365,453
Police federal asset forfeiture	89,488	-	89,488
TID purposes	5,381,690	-	5,381,690
American Rescue Plan Act	33,206	-	33,206
Bucyrus club	726,337	-	726,337
Pension	6,800,798	629,862	7,430,660
Special assessment and interest, capital projects	305,271	-	305,271
Equipment replacement reserve	-	1,574,928	1,574,928
Debt service reserve	-	556,377	556,377
Unrestricted (deficit)	<u>(15,859,419)</u>	<u>3,407,682</u>	<u>(12,451,737)</u>
Total net position (deficit)	<u>\$ (673,697)</u>	<u>\$ 31,748,768</u>	<u>\$ 31,075,071</u>

*See notes to financial statements*

**City of South Milwaukee**

Statement of Activities

Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 3,409,230	\$ 1,129,948	\$ 52,941	\$ -	\$ (2,226,341)	\$ -	\$ (2,226,341)
Public safety	7,870,974	1,197,536	402,002	-	(6,271,436)	-	(6,271,436)
Public works	6,038,657	929,864	165,861	-	(4,942,932)	-	(4,942,932)
Conservation and development	612,247	-	-	-	(612,247)	-	(612,247)
Health and human services	1,275,385	36,201	956,343	-	(282,841)	-	(282,841)
Library	818,826	5,753	41,226	-	(771,847)	-	(771,847)
Parks and recreation	163,596	-	-	-	(163,596)	-	(163,596)
Other	29,815	-	-	-	(29,815)	-	(29,815)
Interest and fiscal charges	1,014,475	-	-	-	(1,014,475)	-	(1,014,475)
Total governmental activities	<u>21,233,205</u>	<u>3,299,302</u>	<u>1,618,373</u>	<u>-</u>	<u>(16,315,530)</u>	<u>-</u>	<u>(16,315,530)</u>
<b>Business-Type Activities</b>							
Water	3,799,655	4,254,734	-	72,877	-	527,956	527,956
Sewer	3,121,066	3,835,426	-	578,293	-	1,292,653	1,292,653
Stormwater	867,754	1,064,719	-	-	-	196,965	196,965
Parkcrest housing authority	514,841	363,510	249,139	-	-	97,808	97,808
Total business-type activities	<u>8,303,316</u>	<u>9,518,389</u>	<u>249,139</u>	<u>651,170</u>	<u>-</u>	<u>2,115,382</u>	<u>2,115,382</u>
<b>Total</b>	<u><u>\$ 29,536,521</u></u>	<u><u>\$ 12,817,691</u></u>	<u><u>\$ 1,867,512</u></u>	<u><u>\$ 651,170</u></u>	<u><u>(16,315,530)</u></u>	<u><u>2,115,382</u></u>	<u><u>(14,200,148)</u></u>
<b>General Revenues</b>							
Taxes:							
Property taxes, levied for general purposes				8,272,873	-	8,272,873	
Property taxes, levied for debt service				2,975,474	-	2,975,474	
Property taxes, levied for tax increment				1,625,989	-	1,625,989	
Property taxes, levied for other purposes				894,654	-	894,654	
Other taxes				42,621	-	42,621	
Intergovernmental revenues not restricted to specific programs				5,463,681	-	5,463,681	
Investment income				443,823	89,733	533,556	
Miscellaneous				607,189	9,259	616,448	
Total general revenues				<u>20,326,304</u>	<u>98,992</u>	<u>20,425,296</u>	
Transfers				<u>521,071</u>	<u>(521,071)</u>	<u>-</u>	
Change in net position				<u>4,531,845</u>	<u>1,693,303</u>	<u>6,225,148</u>	
<b>Net Position (Deficit), Beginning</b>				<u>(5,205,542)</u>	<u>30,055,465</u>	<u>24,849,923</u>	
<b>Net Position (Deficit), Ending</b>				<u><u>\$ (673,697)</u></u>	<u><u>\$ 31,748,768</u></u>	<u><u>\$ 31,075,071</u></u>	

*See notes to financial statements*

**City of South Milwaukee**

Balance Sheet -  
Governmental Funds  
December 31, 2022

	Special Revenue Fund									
	General		Debt Service		Tax Incremental District Funds		American Rescue Plan Act		Capital Projects Funds	
	General	Debt Service	Tax Incremental District Funds	American Rescue Plan Act	Public Works Projects	Tax Increment District #5	Nonmajor Governmental Funds	Total		
<b>Assets</b>										
Cash and investments	\$ 11,056,245	\$ 2,593,623	\$ 2,162,737	\$ 2,179,391	\$ 10,783,066	\$ 4,296,994	\$ 8,087,804	\$ 41,159,860		
Receivables:										
Taxes	3,863,664	1,257,757	726,571	-	-	-	925,599	6,773,591		
Accounts	625,681	-	-	-	-	5,242	1,254,897	1,885,820		
Lease	625,237	-	-	-	-	485,496	-	1,110,733		
Special assessments	-	-	-	-	-	-	36,153	36,153		
Delinquent personal property taxes	700	-	-	-	-	-	-	700		
Interest	26,204	-	-	-	-	-	-	26,204		
Due from other funds	305,974	-	-	-	-	-	-	305,974		
Total assets	<u>\$ 16,503,705</u>	<u>\$ 3,851,380</u>	<u>\$ 2,889,308</u>	<u>\$ 2,179,391</u>	<u>\$ 10,783,066</u>	<u>\$ 4,787,732</u>	<u>\$ 10,304,453</u>	<u>\$ 51,299,035</u>		
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>										
<b>Liabilities</b>										
Accounts payable	\$ 230,203	\$ -	\$ -	\$ -	\$ 398,473	\$ 172,173	\$ 85,971	\$ 886,820		
Accrued liabilities	533,950	-	-	-	-	-	58,653	592,603		
Deposits	81,303	-	-	-	-	-	54,136	135,439		
Unearned revenue	-	-	-	2,146,185	-	-	49,350	2,195,535		
Due to other funds	-	-	-	-	-	-	106,060	106,060		
Total liabilities	<u>\$ 845,456</u>	<u>-</u>	<u>-</u>	<u>2,146,185</u>	<u>398,473</u>	<u>172,173</u>	<u>354,170</u>	<u>3,916,457</u>		
<b>Deferred Inflows of Resources</b>										
Unearned revenue	9,554,616	2,992,345	1,728,601	-	-	485,496	1,507,981	16,269,039		
Unavailable revenue	-	-	-	-	-	-	-	36,154	36,154	
Total deferred inflows of resources	<u>9,554,616</u>	<u>2,992,345</u>	<u>1,728,601</u>	<u>-</u>	<u>-</u>	<u>485,496</u>	<u>1,544,135</u>	<u>16,305,193</u>		
<b>Fund Balances</b>										
Nonspendable	514,431	-	-	-	-	-	-	514,431		
Restricted	-	859,035	1,160,707	33,206	7,899,657	4,130,063	3,102,674	17,185,342		
Committed	4,304,630	-	-	-	2,484,936	-	4,608,600	11,398,166		
Assigned	1,284,572	-	-	-	-	-	694,874	1,979,446		
Total fund balances	<u>6,103,633</u>	<u>859,035</u>	<u>1,160,707</u>	<u>33,206</u>	<u>10,384,593</u>	<u>4,130,063</u>	<u>8,406,148</u>	<u>31,077,385</u>		
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,503,705</u>	<u>\$ 3,851,380</u>	<u>\$ 2,889,308</u>	<u>\$ 2,179,391</u>	<u>\$ 10,783,066</u>	<u>\$ 4,787,732</u>	<u>\$ 10,304,453</u>			

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Note 2.	26,983,190
Some receivables that are not currently available are reported as unearned revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	36,154
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	6,800,798
Deferred outflows of resources related to pension and OPEBs do not relate to current financial resources and are not reported in the governmental funds.	17,558,028
Deferred inflows of resources related to pensions and OPEBs do not relate to current financial resources and are not reported in the governmental funds.	(23,841,252)
Internal service funds are reported in the statement of net position as governmental activities.	1,404,888
Other long-term assets are not available to pay for current period expenditures and are a deferred outflow.	8,754
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. Note 2.	(60,701,642)
Net position of governmental activities:	<u>\$ (673,697)</u>

**City of South Milwaukee**

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended December 31, 2022

	Special Revenue Fund								Nonmajor Governmental Funds	Total Governmental Funds		
	General		Debt Service		Tax Incremental District Funds		American Rescue Plan Act					
<b>Revenues</b>												
Taxes	\$ 8,043,532	\$ 2,975,474	\$ 1,663,000	\$ -	\$ -	\$ -	\$ -	\$ 1,129,605	\$ 13,811,611			
Intergovernmental	4,560,825	-	15,827	32,230	43,149	150,000	1,988,448	6,790,479				
Regulation and compliance	731,959	-	-	-	-	-	-	-	731,959			
Public charges for services	916,201	-	-	-	-	-	-	1,143,854	2,060,055			
Public improvement revenues	-	-	-	-	-	-	-	32,959	32,959			
Interdepartmental revenues	998,265	-	-	-	-	-	-	-	998,265			
Investment income	188,299	-	-	32,899	109,469	66,489	43,497	440,653				
Miscellaneous	211,882	-	-	-	-	54,403	113,195	379,480				
Total revenues	<u>15,650,963</u>	<u>2,975,474</u>	<u>1,678,827</u>	<u>65,129</u>	<u>152,618</u>	<u>270,892</u>	<u>4,451,558</u>	<u>25,245,461</u>				
<b>Expenditures</b>												
Current:												
General government	3,285,963	-	-	32,230	-	-	-	13,814	3,332,007			
Public safety	7,165,835	-	-	-	-	-	-	1,623,548	8,789,383			
Public works	3,865,682	-	-	-	-	-	-	543,257	4,408,939			
Health and human services	593,406	-	-	-	-	-	-	741,435	1,334,841			
Library	-	-	-	-	-	-	-	794,539	794,539			
Parks and recreation	163,596	-	-	-	-	-	-	-	163,596			
Conservation and development	210,085	-	-	-	-	6,092	239,799	455,976				
Other	29,815	-	-	-	-	-	-	-	29,815			
Capital outlay	208,801	-	-	-	3,770,053	129,634	463,433	4,571,921				
Debt service:												
Principal retirement	-	3,075,000	-	-	-	-	-	-	3,075,000			
Interest and fiscal charges	-	756,281	-	-	151,052	-	32,160	939,493				
Total expenditures	<u>15,523,183</u>	<u>3,831,281</u>	<u>-</u>	<u>32,230</u>	<u>3,921,105</u>	<u>135,726</u>	<u>4,451,985</u>	<u>27,895,510</u>				
Excess (deficiency) of revenues over expenditures	<u>127,780</u>	<u>(855,807)</u>	<u>1,678,827</u>	<u>32,899</u>	<u>(3,768,487)</u>	<u>135,166</u>	<u>(427)</u>	<u>(2,650,049)</u>				
<b>Other Financing Sources (Uses)</b>												
Debt proceeds	-	-	-	-	6,221,700	-	2,893,300	9,115,000				
Premium on debt issuance	-	-	-	-	379,057	-	80,704	459,761				
Transfers in	594,734	1,527,045	-	-	1,600,000	666,036	1,551,203	5,939,018				
Transfers out	(863,118)	-	(1,855,421)	-	-	(349,709)	(2,339,699)	(5,407,947)				
Total other financing sources (uses)	<u>(266,384)</u>	<u>1,527,045</u>	<u>(1,855,421)</u>	<u>-</u>	<u>8,200,757</u>	<u>316,327</u>	<u>2,185,508</u>	<u>10,105,832</u>				
Net change in fund balance	<u>(140,604)</u>	<u>671,238</u>	<u>(176,594)</u>	<u>32,899</u>	<u>4,432,270</u>	<u>451,493</u>	<u>2,185,081</u>	<u>7,455,783</u>				
<b>Fund Balances, Beginning</b>	<u>6,244,237</u>	<u>187,797</u>	<u>1,337,301</u>	<u>307</u>	<u>5,952,323</u>	<u>3,678,570</u>	<u>6,221,067</u>	<u>23,621,602</u>				
<b>Fund Balances, Ending</b>	<u>\$ 6,103,633</u>	<u>\$ 859,035</u>	<u>\$ 1,160,707</u>	<u>\$ 33,206</u>	<u>\$ 10,384,593</u>	<u>\$ 4,130,063</u>	<u>\$ 8,406,148</u>	<u>\$ 31,077,385</u>				

*See notes to financial statements*

## **City of South Milwaukee**

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Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended December 31, 2022

**Net Change in Fund Balances, Total Governmental Funds**      \$ 7,455,783

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements	4,571,921
Some items reported as capital outlay are not capitalized	(1,145,777)
Depreciation is reported in the government-wide statements	(1,675,394)

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

Debt issued	(9,115,000)
Premium on debt issued	(459,761)
Principal repaid	3,075,000

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

(1,482)

Internal service funds are used by management to charge self insurance costs to individual funds. The increase in net position of the internal service fund reported with the governmental activities.

65,520

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

Compensated absences	74,526
Amortization of loss on refunding	(8,757)
Amortization of premium	127,714
Net pension asset	1,514,403
Deferred outflows of resources related to pension and OPEB	4,403,521
Deferred inflows of resources related to pension and OPEB	(8,599,979)
Net and total OPEB liabilities	4,443,546
Accrued interest on debt	(193,939)

**Change in Net Position**

\$ 4,531,845

**City of South Milwaukee**

Statement of Net Position -  
Proprietary Funds  
December 31, 2022

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Total	Internal Service Fund	
<b>Assets and Deferred Outflows of Resources</b>							
<b>Current Assets</b>							
Cash and investments	\$ 1,847,561	\$ 2,830,555	\$ 1,361,507	\$ 353,231	\$ 6,392,854	\$ 1,373,982	
Taxes receivable	307,415	277,295	470,900	-	1,055,610	-	
Accounts receivable	867,228	5,710	-	1,437	874,375	110,317	
Lease receivable	127,116	-	-	-	127,116	-	
Due from other funds	24,562	537,242	-	-	561,804	-	
Prepaid items and inventories	65,323	-	-	15,555	80,878	-	
Accrued revenue	641,726	790,479	-	-	1,432,205	-	
Restricted assets:							
Cash and investments	160,208	449,013	-	-	609,221	-	
Total current assets	4,041,139	4,890,294	1,832,407	370,223	11,134,063	1,484,299	
<b>Noncurrent Assets</b>							
Restricted assets:							
Cash and investments	492,470	1,574,928	-	-	2,067,398	-	
Net pension asset	285,253	257,768	-	86,841	629,862	-	
Capital assets:							
Land	2,400	8,000	-	6,196	16,596	-	
Intangible assets	110,000	-	-	-	110,000	-	
Property and equipment	31,178,260	33,269,801	12,463,247	4,946,686	81,857,994	-	
Construction work in progress	-	3,992,107	-	-	3,992,107	-	
Less accumulated depreciation	(12,585,188)	(17,947,523)	(3,424,147)	(3,761,554)	(37,718,412)	-	
Other assets	-	-	-	5,160	5,160	-	
Total noncurrent assets	19,483,195	21,155,081	9,039,100	1,283,329	50,960,705	-	
Total assets	23,524,334	26,045,375	10,871,507	1,653,552	62,094,768	1,484,299	
<b>Deferred Outflows of Resources</b>							
Deferred outflows related to pensions	600,660	516,478	-	166,489	1,283,627	-	
Deferred outflows related to OPEB, health	449,284	195,341	-	-	644,625	-	
Deferred outflows related to OPEB, life	35,189	16,245	-	-	51,434	-	
Total deferred outflows of resources	1,085,133	728,064	-	166,489	1,979,686	-	
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>							
<b>Liabilities</b>							
Accounts payable	11,663	366,081	12,071	16,315	406,130	3,986	
Accrued liabilities	34,030	22,663	2,802	14,638	74,133	75,425	
Accrued interest	44,086	-	11,642	-	55,728	-	
Special deposits	-	-	-	18,460	18,460	-	
Due to other funds	655,575	77,589	-	28,554	761,718	-	
Current portion of general obligation debt	182,805	254,665	378,215	-	815,685	-	
Current portion of compensated absences	-	22,548	-	-	22,548	-	
Liabilities payable from restricted assets:							
Current portion of revenue bonds	792,648	624,058	-	-	1,416,706	-	
Accrued interest	3,722	49,122	-	-	52,844	-	
Total current liabilities	1,724,529	1,416,726	404,730	77,967	3,623,952	79,411	
<b>Noncurrent Liabilities</b>							
Unearned revenue	27,005	-	-	-	27,005	-	
Compensated absences	55,112	23,676	-	-	78,788	-	
Total OPEB liability, health	2,400,717	1,043,790	-	-	3,444,507	-	
Net OPEB liability, life	148,679	48,877	-	-	197,556	-	
Long-term bonds and notes payable:							
General obligation debt	1,105,811	1,306,519	1,585,877	-	3,998,207	-	
Revenue bonds	7,564,672	9,375,566	-	-	16,940,238	-	
Total noncurrent liabilities	11,301,996	11,798,428	1,585,877	-	24,686,301	-	
Total liabilities	13,026,525	13,215,154	1,990,607	77,967	28,310,253	79,411	
<b>Deferred Inflows of Resources</b>							
Deferred inflows related to pension	723,703	607,822	-	204,525	1,536,050	-	
Deferred inflows related to OPEB, health	836,854	363,847	-	-	1,200,701	-	
Deferred inflows related to OPEB, life	22,259	8,982	-	-	31,241	-	
Unearned revenue	127,116	-	1,120,325	-	1,247,441	-	
Total deferred inflows of resources	1,709,932	980,651	1,120,325	204,525	4,015,433	-	
<b>Net Position</b>							
Net investment in capital assets	9,552,006	7,761,577	7,075,008	1,191,328	25,579,919	-	
Restricted:							
Pension	285,253	257,768	-	86,841	629,862	-	
Equipment replacement reserve	-	1,574,928	-	-	1,574,928	-	
Debt service reserve	156,486	399,891	-	-	556,377	-	
Unrestricted (deficit)	(120,735)	2,583,470	685,567	259,380	3,407,682	1,404,888	
Total net position	\$ 9,873,010	\$ 12,577,634	\$ 7,760,575	\$ 1,537,549	\$ 31,748,768	\$ 1,404,888	

See notes to financial statements

**City of South Milwaukee**

Statement of Revenues, Expenses and Changes in Net Position -  
 Proprietary Funds  
 Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority			
				Total	Internal Service Fund		
<b>Operating Revenues</b>							
Charges for services	\$ 4,073,513	\$ 3,774,920	\$ 1,064,719	\$ 363,510	\$ 9,276,662	\$ 496,362	
Other operating revenues	181,221	60,506	-	-	241,727	129,790	
Total operating revenues	<u>4,254,734</u>	<u>3,835,426</u>	<u>1,064,719</u>	<u>363,510</u>	<u>9,518,389</u>	<u>626,152</u>	
<b>Operating Expenses</b>							
Operation and maintenance	2,586,550	2,013,275	640,739	420,913	5,661,477	557,632	
Depreciation	946,338	849,463	181,987	93,928	2,071,716	-	
Taxes	50,948	38,373	-	-	89,321	-	
Total operating expenses	<u>3,583,836</u>	<u>2,901,111</u>	<u>822,726</u>	<u>514,841</u>	<u>7,822,514</u>	<u>557,632</u>	
Operating income (loss)	<u>670,898</u>	<u>934,315</u>	<u>241,993</u>	<u>(151,331)</u>	<u>1,695,875</u>	<u>68,520</u>	
<b>Nonoperating Revenues (Expenses)</b>							
Intergovernmental grants and aids	-	578,293	-	249,139	827,432	7,000	
Interest on lease	9,259	-	-	-	9,259	-	
Investment income	41,457	33,598	11,506	3,172	89,733	-	
Interest and amortization expense	(215,819)	(219,955)	(45,028)	-	(480,802)	-	
Total nonoperating revenues (expenses)	<u>(165,103)</u>	<u>391,936</u>	<u>(33,522)</u>	<u>252,311</u>	<u>445,622</u>	<u>7,000</u>	
Income before capital contributions and transfers	<u>505,795</u>	<u>1,326,251</u>	<u>208,471</u>	<u>100,980</u>	<u>2,141,497</u>	<u>75,520</u>	
Capital contributions	72,877	-	-	-	72,877	-	
Transfers out	(478,890)	(13,979)	-	(28,202)	(521,071)	(10,000)	
Change in net position	<u>99,782</u>	<u>1,312,272</u>	<u>208,471</u>	<u>72,778</u>	<u>1,693,303</u>	<u>65,520</u>	
<b>Net Position, Beginning</b>	<u>9,773,228</u>	<u>11,265,362</u>	<u>7,552,104</u>	<u>1,464,771</u>	<u>30,055,465</u>	<u>1,339,368</u>	
<b>Net Position, Ending</b>	<u><u>\$ 9,873,010</u></u>	<u><u>\$ 12,577,634</u></u>	<u><u>\$ 7,760,575</u></u>	<u><u>\$ 1,537,549</u></u>	<u><u>\$ 31,748,768</u></u>	<u><u>\$ 1,404,888</u></u>	

**City of South Milwaukee**

Statement of Cash Flows -  
 Proprietary Funds  
 Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority		Total	Internal Service Fund
<b>Cash Flows From Operating Activities</b>							
Received from customers	\$ 3,058,721	\$ 4,238,337	\$ 1,084,114	\$ 362,331	\$ 8,743,503	\$ 540,320	
Received (paid) from/(to) municipality	969,830	-	-	-	969,830	-	
Paid to vendors for goods and services	(1,085,977)	(1,958,132)	(657,663)	(439,433)	(4,141,205)	(555,454)	
Paid to employees for services	(672,110)	(445,177)	(119,529)	-	(1,236,816)	-	
Net cash flows from operating activities	2,270,464	1,835,028	306,922	(77,102)	4,335,312	(15,134)	
<b>Cash Flows From Noncapital Financing Activities</b>							
Transfers	-	-	-	(28,202)	(28,202)	(10,000)	
Received on long-term advances	-	578,293	-	-	578,293	-	
Received (paid) from/(to) municipality	(478,890)	(13,979)	-	-	(492,869)	-	
Net cash flows from noncapital financing activities	(478,890)	564,314	-	(28,202)	57,222	(10,000)	
<b>Cash Flows From Capital and Related Financing Activities</b>							
Debt retired	(949,725)	(746,312)	(293,810)	-	(1,989,847)	-	
Interest paid and fees	(209,264)	(192,658)	(56,256)	-	(458,178)	-	
Acquisition and construction of capital assets	(312,884)	(3,767,057)	(511,806)	(50,840)	(4,642,587)	-	
Intergovernmental grants and aids	-	-	-	249,139	249,139	7,000	
Capital contribution	72,877	-	-	-	72,877	-	
Proceeds from debt issued	635,515	3,676,351	-	-	4,311,866	-	
Net cash flows from capital and related financing activities	(763,481)	(1,029,676)	(861,872)	198,299	(2,456,730)	7,000	
<b>Cash Flows From Investing Activities</b>							
Interest on lease	9,259	-	-	-	9,259	-	
Investment income	41,457	33,598	11,506	3,172	89,733	-	
Net cash flows from investing activities	50,716	33,598	11,506	3,172	98,992	-	
Net change in cash and cash equivalents	1,078,809	1,403,264	(543,444)	96,167	2,034,796	(18,134)	
<b>Cash and Cash Equivalents, Beginning</b>	<b>1,421,430</b>	<b>3,451,232</b>	<b>1,904,951</b>	<b>257,064</b>	<b>7,034,677</b>	<b>1,392,116</b>	
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 2,500,239</b>	<b>\$ 4,854,496</b>	<b>\$ 1,361,507</b>	<b>\$ 353,231</b>	<b>\$ 9,069,473</b>	<b>\$ 1,373,982</b>	

**City of South Milwaukee**

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority		Total	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities</b>							
Operating income (loss)	\$ 670,898	\$ 934,315	\$ 241,993	\$ (151,331)	\$ 1,695,875	\$ 68,520	
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Depreciation	946,338	849,463	181,987	93,928	2,071,716		-
Depreciation charged to other utilities	40,279	(40,279)	-	-	-		-
Changes in assets, deferred outflows/inflows and liabilities:							
Accounts receivable	(243,845)	267,449	-	(1,179)	22,425	(85,833)	
Due from other funds	(22,617)	(7,570)	(36,211)	-	(66,398)	-	
Inventories	1,104	-	-	(3,656)	(2,552)	-	
Prepaid items	-	-	-	(382)	(382)	-	
Accrued liabilities	7,255	7,324	-	-	14,579	-	
Accounts payable	(12,562)	(52,364)	5,680	-	(59,246)	-	
Due to other funds	104,348	-	(141,032)	2,040	(34,644)	-	
OPEB / pension related deferrals, assets and liabilities	779,266	(124,846)	55,606	(17,521)	692,505	-	
Other deferred inflows or resources	-	-	-	(625)	(625)	-	
Other current liabilities	-	1,536	(1,101)	1,624	2,059	2,179	
Net cash flows from operating activities	<u>\$ 2,270,464</u>	<u>\$ 1,835,028</u>	<u>\$ 306,922</u>	<u>\$ (77,102)</u>	<u>\$ 4,335,312</u>	<u>\$ (15,134)</u>	
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds</b>							
Cash and investments, statement of net position	\$ 1,847,561	\$ 2,830,555	\$ 1,361,507	\$ 353,231	\$ 6,392,854	\$ 1,373,982	
Restricted cash and investments, statement of net position	652,678	2,023,941	-	-	2,676,619	-	
<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 2,500,239</u></b>	<b><u>\$ 4,854,496</u></b>	<b><u>\$ 1,361,507</u></b>	<b><u>\$ 353,231</u></b>	<b><u>\$ 9,069,473</u></b>	<b><u>\$ 1,373,982</u></b>	
<b>Noncash Capital and Related Financing Activities</b>							
Amortization	<u>\$ 5,327</u>	<u>\$ 7,484</u>	<u>\$ 8,806</u>	<u>\$ -</u>	<u>\$ 21,617</u>	<u>\$ -</u>	

## **City of South Milwaukee**

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Statement of Fiduciary Net Position -

Fiduciary Fund

December 31, 2022

	<b>Custodial Fund</b>
	<b>Tax</b>
	<b>Collection</b>
	<b>Fund</b>
<b>Assets</b>	
Cash and investments	\$ 13,115,612
Taxes receivable	<u>8,204,834</u>
Total assets	<u>21,320,446</u>
<b>Liabilities</b>	
Due to other taxing units	<u>21,320,446</u>
Total liabilities	<u>21,320,446</u>
Net position	<u>\$ -</u>

## **City of South Milwaukee**

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Statement of Changes in Fiduciary Net Position -

Fiduciary Fund

Year Ended December 31, 2022

	<b>Custodial Fund</b>
	<b>Tax</b>
	<b>Collection</b>
	<b>Fund</b>
<b>Additions</b>	
Tax collections	<u>\$ 21,289,164</u>
<b>Expenses</b>	
Payments to overlying districts	<u>21,289,164</u>
Change in fiduciary net position	-
<b>Net Position, Beginning</b>	-
<b>Net Position, Ending</b>	<u><u>\$ -</u></u>

# City of South Milwaukee

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December 31, 2022

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# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

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

The accounting policies of the City of South Milwaukee, Wisconsin (the City) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **Reporting Entity**

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of three methods, discrete presentation, blended or fiduciary. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

#### **Government-Wide and Fund Financial Statements**

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the City's leasing activities. This standard was implemented January 1, 2022.

# **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

## **Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

## **Fund Financial Statements**

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

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

### **General Fund**

General Fund accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

# **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

## **Special Revenue Funds**

Special revenue fund - Tax Incremental Districts - is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the tax incremental districts.

Special Revenue Fund - American Rescue Plan Act - is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the American Rescue plan program.

## **Debt Service Fund**

Debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than TID or enterprise debt.

## **Capital Projects Funds**

Capital projects fund - Public Works Projects is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets..

Tax Incremental District (TID) No. 5 Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures outlined in the TID project plan.

## **Enterprise Funds**

The City reports the following major enterprise funds:

Water Utility accounts for operations of the water system

Sewer Utility accounts for operations of the sewer system

Stormwater Utility accounts for operations of the stormwater system

The City reports the following nonmajor governmental and enterprise funds:

## **Special Revenue Funds**

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Library	Health Consortium
Recycling	General Government
Paramedic	Police
School Liaison Police Program	Health
City Sealer	Fire
Community Development Block Grant	Referendum Officer
Economic Development	Bucyrus

# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

### **Capital Projects Funds**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Equipment  
Special Assessment and Interest  
Tax Incremental District, #1, #2 and #3

### **Enterprise Funds**

Enterprise Funds are used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Parkcrest Housing Authority

In addition, the City reports the following fund types:

### **Internal Service Funds**

Internal Service Fund is used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Self Insurance Fund

### **Custodial Funds**

Custodial Fund is used to account for and report assets controlled by the City and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Tax Collection Fund

## **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and stormwater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

### **Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

### **Proprietary and Fiduciary Funds**

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **All Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

#### **Deposits and Investments**

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. City funds may be invested in deposits in any credit union, bank, savings bank, trust company or savings and loan association, which is authorized to transact business in the State of Wisconsin if the time deposits mature in not more than three years. Preference may be given, within reason, to South Milwaukee area financial institutions. Subject to an exception a maximum of \$650,000, the amount of State and FDIC insurance limits, may be invested in each such institution unless collateralized or approved by the Common Council.

City funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and bonds or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. The securities must be purchased through financial institutions authorized to conduct business in the state of Wisconsin and placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.

City funds may be invested in the Wisconsin Local Government Investment Pool at the discretion of the City Treasurer. Investment limitations shall not apply. City funds may also be invested in interest bearing savings, demand deposit and Money Market accounts.

In accordance with 1987 Wisconsin Act 399, City funds may be invested in securities if the security has a rating which is the highest or second highest rating category assigned by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

## **City of South Milwaukee**

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### Notes to Financial Statements

December 31, 2022

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2022, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note 4 for further information.

### **Receivables**

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

Property tax calendar - 2022 tax roll:

Lien date and levy date	December 2022
Tax bills mailed	December 2022
Payment in full, or	January 31, 2023
First installment due	January 31, 2023
Second installment due	April 30, 2023
Third installment due	July 31, 2023
Fourth installment due	August 15, 2023
Personal property taxes in full	January 31, 2023
Tax sale, 2022 delinquent real estate taxes	October 2025

Delinquent real estate taxes as of July 31 are paid in full by the County, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll and other delinquent bills are generally not significant.

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

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

The City provides water and sewer service to customers primarily within its municipal boundaries. Metered water sales to consumers are billed on a tri-annual basis for all classes of customers at rates approved by the Public Service Commission of Wisconsin. Sewer service charges to consumers are billed on a tri-annual basis at rates established by the City's Common Council. Billings for metered water and sewer service are recorded on the first day of each month, payable in 20 days. Unbilled revenues from the last metered billings to the end of the year are estimated and recorded as accrued utility revenue. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

### **Inventories and Prepaid Items**

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Restricted Assets**

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

### **Capital Assets**

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

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 general capital assets and infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor and overhead. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	15-40 Years
Land Improvements	15-30 Years
Machinery and Equipment	2-25 Years
Utility System	18-90 Years
Infrastructure	15-40 Years
Intangible assets, easements	Indefinite Years
Intangible assets, software	10 Years

## **Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

## **Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

## **Compensated Absences**

Under terms of employment agreements, employees are granted sick pay benefits and vacations in varying amounts. Employee vacation allowances are not cumulative and must be used in the year after they are earned. Non-union employees receive six personal days and six sick days. These employees are paid for the unused time at year-end. Most other employees earn sick leave at the rate of one day per month, which may be accumulated. General City union employees hired before July 1, 2005 and police department employees and fire department employees hired before January 1, 1985, will receive a severance payment upon retirement or death at full pay for the first 50 days and at half pay for the remaining days. General City union employees hired after July 1, 2005 receive a severance payment upon retirement or death at full pay for 50 days. General City union employees hired after January 1, 2012 accrue  $\frac{1}{2}$  sick days per month and will receive a severance payment upon retirement or death of  $\frac{1}{2}$  of the unused sick pay not to exceed compensation of 400 hours at their current pay rate. Fire department employees hired after July 1, 2012 accrue 9 sick days per year or 18 hours per month and will receive a severance and payment upon retirement or death of  $\frac{1}{2}$  of 75 days. Estimated future payments of accumulated sick pay are included in the long-term obligations shown in the Government-Wide Statement of Net Position.

## **Long-Term Obligations**

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is reported as an other financing source and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

## Leases

The City is a lessor because it leases capital assets to other entities. As a lessor, the City reports a lease receivable and corresponding deferred inflow of resources in both the fund financial statements and government-wide financial statements. The City continues to report and depreciate the capital assets being leased as capital assets of the primary government.

## Deferred Inflows of Resources

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

## Equity Classifications

### Government-Wide Statements

Equity is classified as net position and displayed in three components:

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

# City of South Milwaukee

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## Notes to Financial Statements

December 31, 2022

- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the City Administrator to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

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

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Under a resolution in 2011 the Council formally established a stabilization fund beginning with the fiscal year 2011 budget. The stabilization fund is contained as committed fund balance within the General Fund and is included in each annual budget. The balance in the account at year end was \$4,304,630.

See Note 4 for further information.

## 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 Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

## **Postemployment Benefits Other Than Pensions (OPEB)**

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, the City OPEB plan recognizes benefits payments when due and payable in accordance with the benefit terms.

### **Basis for Existing Rates**

#### **Water Utility**

Current water rates were approved by the Public Service Commission of Wisconsin effective April 4, 2019.

#### **Sewer Utility**

Sewer rates increase 5 percent annually on January 1 per resolution 18-11 which was adopted in June, 2018.

#### **Stormwater Utility**

Current stormwater rates were approved by the City's common council effective January 1, 2022

## **2. Reconciliation of Government-Wide and Fund Financial Statements**

### **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position**

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,988,589
Construction in progress	2,514,436
Buildings	12,986,830
Machinery and equipment	10,277,195
Library book collection	737,672
Infrastructure	22,763,976
Intangibles, easements	33,758
Intangibles, software	104,775
Less accumulated depreciation	<u>(25,424,041)</u>
Combined adjustment for capital assets	\$ <u>26,983,190</u>

## **City of South Milwaukee**

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### Notes to Financial Statements

December 31, 2022

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net position.

Bonds and notes payable	\$ 35,432,000
Premium on debt issued	802,860
Accumulated sick pay benefits	979,279
Accrued interest payable	391,135
Net and total OPEB liability	<u>23,096,368</u>
Combined adjustment for long-term liabilities	<u>\$ 60,701,642</u>

### **3. Stewardship, Compliance and Accountability**

#### **Budgetary Information**

A budget has been adopted for all funds except for the following: Special Revenue Funds: Tax Incremental Districts, Community Development Block Grant Fund, Police Fund, Library Fund, American Rescue Plan Act fund, Bucyrus fund and the following Capital Projects Funds - Public Works Projects Fund, Capital Equipment Fund, TIF Increment District #1, TIF Increment District #2, TIF Increment District #3 and TIF Increment District #5. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

#### **Excess Expenditures and Other Financing Uses Over Budget**

<b>Funds</b>	<b>Budgeted Expenditures</b>	<b>Actual Expenditures</b>	<b>Excess Expenditures Over Budget</b>
Special Revenue Fund - Police Fund	\$ 4,000	\$ 22,739	\$ 18,739
Special Revenue Fund - Economic Development Fund	71,204	248,499	177,295

The City controls expenditures at the total fund level. Some individual funds experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

#### **Limitations on the City's Tax Levy**

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

# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

## 4. Detailed Notes on All Funds

### Deposits and Investments

The City's deposits and investments at year end were comprised of the following:

	<b>Carrying Value</b>	<b>Statement Balances</b>	<b>Associated Risks</b>
Demand deposits	\$ 10,037,193	\$ 10,089,584	Custodial credit Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
Certificates of deposit, negotiable	2,707,864	2,706,992	Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
US agencies	2,278,352	2,278,352	Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
LGIP	49,674,413	49,674,413	Credit
Petty cash	<u>21,105</u>	<u>-</u>	N/A
<b>Total deposits and investments</b>	<b><u>\$ 64,718,927</u></b>	<b><u>\$ 64,749,341</u></b>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 48,926,696		
Restricted cash and investments	2,676,619		
Per statement of fiduciary net position, custodial fund:			
Cash and investments	<u>13,115,612</u>		
<b>Total deposits and investments</b>	<b><u>\$ 64,718,927</u></b>		

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

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

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

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the City's investments are covered by SIPC.

# **City of South Milwaukee**

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## Notes to Financial Statements

December 31, 2022

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Market Value

<b>Investment Type</b>	<b>December 31, 2022</b>				<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
Certificates of deposits, negotiable	\$ -	\$ 2,706,992	\$ -	\$ 2,706,992	
US Agencies	<u>-</u>	<u>2,278,352</u>	<u>-</u>	<u>2,278,352</u>	
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,985,344</b>	<b>\$ -</b>	<b>\$ 4,985,344</b>	

## **Custodial Credit Risk**

### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2022, \$1,475,848 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>1,475,848</u>
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### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

#### **Certificates of Deposit, Negotiable**

Neither insured nor registered and held by counterparty	\$ <u>2,706,992</u>
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#### **US Agencies**

Neither insured nor registered and held by counterparty	\$ <u>2,278,352</u>
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The City has adopted an investment policy pertaining to custodial credit risk for deposits and investments. See Note 1 for further information.

## **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

## City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

As of December 31, 2022, the City's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Certificates of Deposit, Negotiable	n/a	n/a
US Agencies	AA++	AAA

The City also had investments in the Local Government Investment Pool which is not rated.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2022, the City's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Net Position
FHLB	US Agency Bonds	28.20 %

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2022, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-5	more than 5
Certificate of deposit, negotiable	\$ 2,706,992	\$ 934,723	\$ 1,772,269	\$ -
US agencies	2,278,352	198,581	2,079,771	-
Total	\$ 4,985,344	\$ 1,133,304	\$ 3,852,040	\$ -

### Investments Highly Sensitive to Interest Rate Changes

At December 31, 2022, the City held \$2,706,992 in Certificates of Deposits, negotiable and \$2,278,352 in US Agencies. With all fixed income securities, as interest rates rise, the values will fall. The longer the time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is three years maturing in 2027. The market value of this investment at December 31, 2022, was \$99,222.

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

# City of South Milwaukee

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## Notes to Financial Statements

December 31, 2022

### Receivables

Receivables as of year-end for the government's individual major funds, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are detailed on the governmental funds balance sheet, proprietary funds statement of net position and fiduciary funds statement of net position. All amounts are expected to be collected within one year except for \$700 of delinquent personal property taxes reported in the general fund, \$576,605, \$482,160, \$87,766 of lease payments in the general fund, TIF District #5 fund and water fund, respectively, and \$36,153 of special assessments reported in the capital projects fund.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable	\$ 15,136,261	\$ -
Lease receivable	1,132,778	-
Special assessments not yet due	-	36,154
Grant drawdowns prior to meeting all eligibility requirements	<u>2,195,535</u>	<u>-</u>
 Total unearned/unavailable revenue for governmental funds	 <u>\$ 18,464,574</u>	 <u>\$ 36,154</u>
Unearned revenue included in liabilities	\$ 2,195,535	
Unearned revenue included in deferred inflows		<u>16,269,039</u>
 Total unearned revenue for governmental funds	 <u>\$ 18,464,574</u>	

At the end of the current fiscal year, the various components of unearned revenue in the proprietary funds were as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 1,120,325
Lease receivable	<u>154,121</u>
 Total unearned revenue for proprietary funds	 <u>\$ 1,274,446</u>

# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

## Restricted Assets

The following represent the balances of the restricted assets:

### Long-Term Debt Accounts

Certain proceeds of the utility's debt, as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

**Redemption** - Used to segregate resources accumulated for debt service payments over the next twelve months.

**Reserve** - Used to report resources set aside to make up potential future deficiencies in the redemption account.

**Construction** - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

### Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

### Net Pension Asset

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

Following is a list of restricted assets at December 31, 2022:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Debt service reserve	\$ 449,013	\$ 49,122	\$ 399,891
Equipment replacement account	1,574,928	-	1,574,928
Construction account	492,470	-	n/a
Pension	7,430,660	-	7,430,660
Redemption account	160,208	3,722	156,486
 Total	 <u>\$ 10,107,279</u>	 <u>\$ 52,844</u>	 <u>\$ 9,561,965</u>

# City of South Milwaukee

## Notes to Financial Statements

December 31, 2022

### Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,988,589	\$ -	\$ -	\$ 2,988,589
Intangible assets	33,758	-	-	33,758
Construction in progress	194,365	2,320,071	-	2,514,436
Total capital assets not being depreciated	3,216,712	2,320,071	-	5,536,783
Capital assets being depreciated / amortized:				
Buildings	12,986,830	-	-	12,986,830
Machinery and equipment	9,942,654	334,541	-	10,277,195
Library book collection	773,981	45,162	81,471	737,672
Roads	19,148,736	652,855	291,565	19,510,026
Bridges	229,534	-	-	229,534
Sidewalks	2,983,734	73,514	32,832	3,024,416
Intangible assets	104,775	-	-	104,775
Total capital assets being depreciated / amortized	46,170,244	1,106,072	405,868	46,870,448
Total capital assets	49,386,956	3,426,143	405,868	52,407,231
Less accumulated depreciation / amortization for:				
Buildings	\$ (5,174,382)	\$ (272,343)	\$ -	\$ (5,446,725)
Machinery and equipment	(6,650,520)	(570,029)	-	(7,220,549)
Library book collection	(446,753)	(73,767)	81,471	(439,049)
Roads	(11,152,947)	(684,651)	291,565	(11,546,033)
Bridges	(46,448)	(4,591)	-	(51,039)
Sidewalks	(636,316)	(59,536)	32,832	(663,020)
Intangible assets	(47,149)	(10,477)	-	(57,626)
Total accumulated depreciation / amortization	(24,154,515)	(1,675,394)	405,868	(25,424,041)
Net capital assets being depreciated / amortized	22,015,729	(569,322)	-	21,446,407
Total governmental activities capital assets, net of accumulated depreciation / amortized	\$ 25,232,441	\$ 1,750,749	\$ -	\$ 26,983,190

Depreciation / amortization expense was charged to functions as follows:

### Governmental Activities

General government	\$ 269,262
Public safety	258,358
Public works	1,059,952
Library	87,822
<b>Total governmental activities depreciation / amortization expense</b>	<b>\$ 1,675,394</b>

# City of South Milwaukee

## Notes to Financial Statements

December 31, 2022

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 16,596	\$ -	\$ -	\$ 16,596
Construction in progress	665,399	3,326,708	-	3,992,107
Intangible asset	110,000	-	-	110,000
Total capital assets not being depreciated	<u>791,995</u>	<u>3,326,708</u>	<u>-</u>	<u>4,118,703</u>
Capital assets being depreciated:				
Structures and improvements	13,615,147	251,917	-	13,867,064
Machinery & equipment	64,161	1,979	-	66,140
Water distribution system	12,835,894	-	-	12,835,894
Sewer collection system	16,416,359	10,582	18,291	16,408,650
Sewer machinery & equipment	7,681,274	226,817	33,454	7,874,637
Water machinery & equipment	17,967,224	439,999	64,863	18,342,360
Stormwater equipment	344,391	-	-	344,391
Stormwater system	11,672,782	511,806	65,732	12,118,856
Total capital assets being depreciated	<u>80,597,232</u>	<u>1,443,100</u>	<u>182,340</u>	<u>81,857,992</u>
Total capital assets	<u>81,389,227</u>	<u>4,769,808</u>	<u>182,340</u>	<u>85,976,695</u>
Less accumulated depreciation for:				
Structures and improvements	(6,853,966)	(202,587)	-	(7,056,553)
Machinery & equipment	(50,762)	(3,012)	-	(53,774)
Water distribution system	(5,242,793)	(517,799)	-	(5,760,592)
Sewer collection system	(7,097,433)	(506,995)	18,291	(7,586,137)
Sewer machinery & equipment	(6,871,354)	(190,519)	33,454	(7,028,419)
Water machinery & equipment	(6,404,836)	(468,816)	64,863	(6,808,789)
Stormwater equipment	(34,761)	(22,523)	-	(57,284)
Stormwater system	(3,273,131)	(159,463)	65,732	(3,366,862)
Total accumulated depreciation	<u>(35,829,036)</u>	<u>(2,071,714)</u>	<u>182,340</u>	<u>(37,718,410)</u>
Net capital assets being depreciated	<u>44,768,196</u>	<u>(628,614)</u>	<u>-</u>	<u>44,139,582</u>
Business-type capital assets, net of accumulated depreciation	<u>\$ 45,560,191</u>	<u>\$ 2,698,094</u>	<u>\$ -</u>	<u>\$ 48,258,285</u>
Depreciation expense was charged to functions as follows:				
<b>Business-Type Activities</b>				
Water			\$ 946,336	
Sewer			849,463	
Stormwater			181,987	
Parkcrest Housing Authority			93,928	
Total business-type activities depreciation / amortization expense			<u>\$ 2,071,714</u>	

# **City of South Milwaukee**

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Notes to Financial Statements

December 31, 2022

## **Interfund Receivables/Payables and Transfers**

### **Interfund Receivables/Payables**

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

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Special Revenue, Library Fund	\$ 15,184
General Fund	Special Revenue, Bucyrus Fund	73,663
General Fund	Water Utility	118,333
General Fund	Sewer Utility	53,027
General Fund	Parkcrest Housing Fund	28,554
General Fund	Special Revenue, Community Development Block Grant	<u>17,213</u>
Total, fund financial statements		305,974
Sewer Utility	Water Utility	537,242
Water Utility	Sewer Utility	<u>24,562</u>
Total, fund financial statements		867,778
Less fund eliminations		<u>(667,864)</u>
Total internal balances, government-wide statement of net position		<u>\$ 199,914</u>

All amounts are due within one year.

The principal reason for the above interfund amounts relates to time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made

# City of South Milwaukee

Notes to Financial Statements

December 31, 2022

## Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Parkcrest Housing Authority	\$ 28,202	Payment in lieu of taxes
	Special Revenue Fund, Bucyrus Fund	73,663	Reimbursement for operational expenses
	Water Utility	478,890	Tax equivalent
	Sewer Utility	13,979	Tax equivalent
Special Revenue:			
City Sealer Fund	General Fund	499	Eliminate negative cash
Library Fund	General Fund	690,142	Aid in operations
Health Consortium Fund	General Fund	17,400	Budgeted appropriation
School Liaison Police Program Fund	General Fund	155,077	Budgeted appropriation
General Government Fund	Internal Service Fund	10,000	Employee engagement
Debt Service Fund	Tax Incremental District	1,527,045	Debt service
Capital Projects, Public Works Projects Fund	Capital Projects Fund, Tax Incremental District #1	1,600,000	Borrowing for capital projects the TID will repay
Capital Projects Funds:			
Tax Incremental District #2	Special Revenue Fund, Tax Incremental District	328,376	Eliminate deficit fund balance
Tax Incremental District #2	Capital Projects Fund, Tax Incremental District #5	349,709	Eliminate deficit fund balance
Tax Incremental District #5	Capital Projects Fund, Tax Incremental District #2	666,036	Increment transfer from donor TID
Total, fund financial statements		5,939,018	
Less fund eliminations		<u>(5,417,947)</u>	
Total transfers, government-wide statement of activities		<u>\$ 521,071</u>	

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

# City of South Milwaukee

## Notes to Financial Statements

December 31, 2022

### Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable:					
General obligation debt	\$ 29,392,000	\$ 9,115,000	\$ 3,075,000	\$ 35,432,000	\$ 3,134,315
Premium on debt issued	470,813	459,761	127,714	802,860	-
Subtotal	29,862,813	9,574,761	3,202,714	36,234,860	3,134,315
Other liabilities:					
Accumulated sick pay benefits	1,053,805	557,233	631,759	979,279	70,410
Net OPEB liability, LRLIF	922,319	-	27,651	894,668	-
Total OPEB liability, health insurance	26,617,595	-	4,415,895	22,201,700	-
Total other liabilities	28,593,719	557,233	5,075,305	24,075,647	70,410
Total governmental activities long-term liabilities	\$ 58,456,532	\$ 10,131,994	\$ 8,278,019	\$ 60,310,507	\$ 3,204,725
<b>Business-Type Activities</b>					
Bonds and notes payable:					
General obligation debt	\$ 4,423,000	\$ 980,000	\$ 735,000	\$ 4,668,000	\$ 815,685
Revenue bonds	16,310,440	3,301,351	1,254,847	18,356,944	1,416,705
Premium on debt issued	118,076	49,431	21,618	145,889	-
Subtotal	20,851,516	4,330,782	2,011,465	23,170,833	2,232,390
Other liabilities:					
Accumulated sick pay benefits	96,731	7,324	2,719	101,336	22,548
Net OPEB liability, LRLIF	171,681	25,875	-	197,556	-
Total OPEB liability, health insurance	3,341,955	355,099	252,547	3,444,507	-
Total other liabilities	3,610,367	388,298	255,266	3,743,399	22,548
Total business-type activities long-term liabilities	\$ 24,461,883	\$ 4,719,080	\$ 2,266,731	\$ 26,914,232	\$ 2,254,938

# City of South Milwaukee

## Notes to Financial Statements

December 31, 2022

### General Obligation Debt

All general obligation debt payable is backed by the full faith and credit of the City. Debt in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2022, was \$85,662,055. Total general obligation debt outstanding at year end was \$40,100,000.

<u>Governmental Activities</u>		<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
<u>General Obligation Debt</u>						
GO Refunding Bond	05/01/12	10/01/24	3.00-3.38%	\$ 1,500,000	\$ 875,000	
GO Bond	05/05/14	12/01/23	2.00-3.00	7,150,000	1,500,000	
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	5,477,000	5,387,000	
GO Refunding Bond	08/01/18	10/01/26	2.35-4.00	2,760,000	1,525,000	
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	6,115,000	4,910,000	
GO Promissory Note	05/06/20	10/01/30	1.75-3	6,930,000	6,930,000	
GO Promissory Note	04/01/21	04/01/31	0.3-1.85	5,440,000	5,190,000	
GO Promissory Note	05/04/22	10/01/32	4.00	9,115,000	9,115,000	
Total governmental activities, general obligation debt						<u>\$ 35,432,000</u>
<u>Business-Type Activities</u>		<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
<u>General Obligation Debt</u>						
GO Promissory Note	03/15/16	10/01/25	2.00-4.00%	\$ 1,538,000	\$ 638,450	
GO Promissory Note	05/04/22	10/01/32	4.00	605,000	605,000	
Total Water Utility						<u>1,243,450</u>
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	460,000	395,088	
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	150,000	
GO Promissory Note	05/06/20	10/01/30	1.75-3	740,000	590,000	
GO Promissory Note	05/04/22	10/01/32	4.00	375,000	375,000	
Total Sewer Utility						<u>1,510,088</u>
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	500,000	429,462	
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	405,000	
GO Promissory Note	05/06/20	10/01/30	1.75-3	1,130,000	1,080,000	
Total Stormwater Utility						<u>1,914,462</u>
Total business-type activities, general obligation debt						<u>\$ 4,668,000</u>

# City of South Milwaukee

Notes to Financial Statements

December 31, 2022

Debt service requirements to maturity are as follows:

<u>Years</u>	<b>Governmental Activities General Obligation Debt</b>		<b>Business-Type Activities General Obligation Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 3,134,315	\$ 991,974	\$ 815,685	\$ 139,939
2024	3,833,700	779,574	791,300	99,890
2025	5,620,185	690,139	1,029,815	81,601
2026	3,365,750	552,316	234,250	57,376
2027	2,960,750	475,352	239,250	21,374
2028-2032	16,517,300	1,303,977	1,557,700	152,486
<b>Total</b>	<b>\$ 35,432,000</b>	<b>\$ 4,793,332</b>	<b>\$ 4,668,000</b>	<b>\$ 552,666</b>

## Revenue Debt

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

The City has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2008, 2013, 2018, 2019 and 2022. Proceeds from the bonds provided financing for the City's Water and Sewer Systems. The bonds are payable solely from revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require 20.00% of net revenues. The total principal and interest remaining to be paid on the bonds is \$21,167,144. Principal and interest paid for the current year and total customer net revenues were \$1,587,176 and \$3,676,964, respectively.

Revenue debt payable at December 31, 2022, consists of the following:

### Business-Type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
<b>Sewer System Revenue Bonds, Direct</b>					
	06/11/08	05/01/28	2.37%	\$ 1,431,165	\$ 502,101
	06/26/13	05/01/33	2.63	5,412,363	3,333,946
	08/28/19	05/01/39	1.76	3,284,958	2,862,226
	11/09/22	05/01/42	2.15	3,564,097	3,301,351
					<b>Total Sewer Utility</b> <u>9,999,624</u>
<b>Water System Revenue Bonds, Direct</b>					
	04/23/08	05/01/27	2.37%	\$ 7,743,344	\$ 2,487,663
	06/27/18	05/01/38	1.87	6,789,348	5,869,657
					<b>Total Water Utility</b> <u>8,357,320</u>
	<b>Total business-type activities, revenue debt</b>				
					<b>\$ 18,356,944</b>

# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

Debt service requirements to maturity are as follows:

<b>Years</b>	<b>Business-Type Activities Revenue Debt</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 1,416,705	\$ 364,939
2024	1,448,148	341,656
2025	1,480,301	309,139
2026	1,513,182	275,887
2027	1,546,807	241,883
2028-2032	5,093,487	851,556
2033-2037	4,094,917	362,046
2038-2042	1,763,397	63,094
Total	<u>\$ 18,356,944</u>	<u>\$ 2,810,200</u>

The City's outstanding revenue bonds from direct borrowings and/or direct placements related to business type-activities of \$18,356,944 contain provisions that in an event of default, outstanding amounts are recoverable by the State by deducting those amounts from any State payments due the City, adding a special charge to the amount of taxes apportioned to and levied upon the county in which the City is located or to collect user fees from the operations of the City's water and sewer system.

## Other Debt Information

Estimated payments of vested compensated absences, total OPEB and net OPEB are not included in the debt service requirement schedules. The vested compensated absences, net pension, total OPEB and net OPEB are not included in the debt service requirement schedules. The vested compensated absences, total OPEB and net OPEB attributable to governmental activities will be liquidated primarily by the general fund.

## Revenue Bond Compliance

The City of South Milwaukee authorized the issuance of \$1,431,165 of Sewer System Revenue Bonds dated June 11, 2008, \$7,743,344 of Safe Drinking Water Revenue Bonds dated March 23, 2008 and amended April 28, 2010, \$5,412,363 of Clean Water Revenue Bonds dated June 26, 2013, \$6,789,348 of Safe Drinking Water Revenue Bonds dated June 27, 2018, \$3,284,958 of Clean Water Revenue Bonds dated August 28, 2019 and \$3,564,097 of Sewerage System Revenue Bonds dated November 9, 2022. In accordance with the City's resolution authorizing the issuance and sale of the Revenue Bonds, separate funds were established to account for the Sewer Enterprise Fund and Water Enterprise Fund. As of December 31, 2022, both the sewer enterprise fund and water enterprise fund were in compliance with revenue bond compliance.

# City of South Milwaukee

Notes to Financial Statements

December 31, 2022

## Lease Disclosures

### Lessor - Lease Receivables

<u>Governmental Activities</u>					<u>Receivable Balance December 31, 2022</u>
<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>		
South Milwaukee Industrial Museum, LLC	8/1/2021	7/31/2041	4.0%	\$	68,400
Skyline Catering, Inc.	8/1/2021	12/31/2030	3.0		417,096
South Milwaukee Yacht Club	1/1/2004	12/31/2028	3.5		119,025
T-Mobile	4/15/2008	12/31/2033	3.5		377,941
Charter Communications	5/1/2013	12/31/2032	3.5		<u>128,271</u>
Total governmental activities				\$	<u>1,110,733</u>

<u>Business-Type Activities</u>					<u>Receivable Balance December 31, 2022</u>
<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>		
VoiceStream PCS II Corp - Water Tower Communications	8/1/2000	7/31/2025	5.0%	\$	127,116
Total business-type activities				\$	<u>127,116</u>

The City recognized \$45,003 of lease revenue during the fiscal year.

The City recognized \$49,634 of interest revenue during the fiscal year.

## Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2022, includes the following:

### Governmental Activities

Net investment in capital assets:			
Land		\$	2,988,589
Construction in progress			2,514,436
Intangible assets			33,758
Other capital assets, net of accumulated depreciation			21,446,407
Less related long-term debt outstanding (net of unspent proceeds of debt)			<u>(25,967,611)</u>
Total net investment in capital assets			<u>1,015,579</u>

# City of South Milwaukee

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## Notes to Financial Statements

December 31, 2022

Restricted:	
Debt service	\$ 467,900
Library	365,453
Police fund	89,488
TID purpose	5,381,690
Pension	6,800,798
Special assessment and interest, capital projects	305,271
American rescue plan act	33,206
Bucyrus club	<u>800,000</u>
Total restricted	<u>14,243,806</u>
Unrestricted (deficit)	<u>(15,933,082)</u>
Total governmental activities net position	<u>\$ (673,697)</u>

## Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2022, include the following:

### Nonspendable

#### Major Funds:

##### General Fund:

Insurance contingencies	\$ 513,731
Delinquent personal property taxes	<u>700</u>
Total	<u>\$ 514,431</u>

### Restricted

#### Major Funds:

Debt Service	\$ 859,035
Special Revenue Fund, Tax Incremental District Funds	1,160,707
Special Revenue Fund, American Rescue Plan Act	33,206
Capital Projects Fund, Public works projects	7,899,657
Capital Projects Fund, TID No. 5	<u>4,130,063</u>

Total	<u>14,082,668</u>
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#### Nonmajor Funds:

##### Special Revenue Funds:

Library	365,453
Police	89,488
Community Development Block Grant	465
Bucyrus	<u>726,337</u>

Subtotal	<u>1,181,743</u>
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##### Capital Project Funds:

Equipment	930,933
Special Assessment and Interest	305,271
TID #1	90,920
TID #3	<u>593,807</u>

Subtotal	<u>1,920,931</u>
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Total	<u>\$ 17,185,342</u>
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# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

## Committed

Major Funds:	
General Fund:	
Stabilization arrangement	\$ 4,304,630
Capital Projects Fund:	
Public works projects	<u>2,484,936</u>
Total	<u>\$ 6,789,566</u>
Nonmajor Funds:	
Special Revenue Funds:	
Recycling program	\$ 560,104
Paramedic program	2,394,350
School liaison program	145,056
Health Consortium	34,963
City Sealer	317
General government	123,378
Health	869,619
Fire	49,573
Referendum officer	<u>431,240</u>
Subtotal	<u>4,608,600</u>
Total	<u>\$ 11,398,166</u>

## Assigned

Major Funds:	
General Fund:	
Equipment acquisitions	\$ 507,336
Insurance reserve	387,500
OPEB	200,000
Projected retirements	<u>189,736</u>
Subtotal	<u>1,284,572</u>
Special Revenue Fund, Economic Development	<u>694,874</u>
Total	<u>\$ 1,979,446</u>

## Reserve Account

The rate structure for the Sewer Utility provides revenues to be generated for equipment replacement, depreciation and a rate of return on the net investment rate base. Revenues from these sources are then transferred into the Equipment Replacement Reserve and Clean Water Fund Debt Service Reserve. The Equipment Replacement Reserve is funds from which future replacements of equipment will be paid. Revenues generated from depreciation and the rate of return are transferred into the Clean Water Fund Debt Service Reserve. These Funds will be used to provide for system expansion and replacement not provided for in the Equipment Replacement Reserve and for payment of principal and interest due on long-term debt.

# **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

## **5. Other Information**

### **Employees' Retirement System**

#### **Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

#### **Vesting**

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

#### **Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

## **City of South Milwaukee**

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### Notes to Financial Statements

December 31, 2022

#### **Post-Retirement Adjustments**

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

<b>Year</b>	<b>Core Fund Adjustment %</b>	<b>Variable Fund Adjustment %</b>
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

## **City of South Milwaukee**

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### Notes to Financial Statements

December 31, 2022

#### **Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,061,205 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2022 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (Executives & Elected Officials)	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.75 %
Protective without Social Security	6.75 %	16.35 %

#### **Pension Asset, Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2022, the City reported an asset of \$7,430,660 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.09218972%, which was a decrease of 0.00048300% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension expense (revenue) of \$(574,257).

## **City of South Milwaukee**

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### Notes to Financial Statements

December 31, 2022

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual experience	\$ 12,003,857	\$ 865,607
Changes in assumptions	1,386,306	-
Net differences between projected and actual earnings on pension plan investments	-	16,623,007
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,536	4,862
Employer contributions subsequent to the measurement date	<u>989,047</u>	-
<b>Total</b>	<b><u>\$ 14,380,746</u></b>	<b><u>\$ 17,493,476</u></b>

\$989,047 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Years Ending December 31:</b>	<b>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</b>
2023	\$ (349,274)
2024	(2,015,538)
2025	(886,589)
2026	(850,376)

## City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

### Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments*:	1.7%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

## City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

### Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Allocation Targets and Expected Returns* As of December 31, 2021</b>			
<b>Core Fund Asset Class</b>	<b>Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %**</b>
Global Equities	52	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive	19	2.7	0.2
Real Estate	7	5.6	3
Private Equity/Debt	12	9.7	7
Total Core Fund***	115	6.6	4
<b>Variable Fund Asset</b>			
U.S Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

\* Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

\*\* New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

\*\*\* The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used subject to an allowable range of up to 20%.

## **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

### **Single Discount Rate**

A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the investment rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	<b>1% Decrease to Discount Rate (5.8%)</b>	<b>Current Discount Rate (6.8%)</b>	<b>1% Increase to Discount Rate (7.8%)</b>
City's proportionate share of the net pension liability (asset)	\$ 5,272,580	\$ (7,430,660)	\$ (16,574,630)

### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

### **Risk Management**

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

### **Public Entity Risk Pool**

#### **Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

## **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The City pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2022. A total liability of approximately \$77,370 at December 31, 2022, was recorded as claims payable in the insurance internal service fund. Changes in the fund's claims loss liability follow:

	<b>Beginning Balance</b>	<b>Incurred Claims</b>	<b>Claims Paid/ Settled</b>	<b>Ending Balance</b>
2021	\$ 75,388	\$ 481,979	\$ 481,979	\$ 75,388
2022	75,388	496,362	494,380	77,370

### **Commitments and Contingencies**

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

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

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

# **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

## **Other Postemployment Benefits**

### **General Information about the OPEB Plan**

#### **Plan Description**

The City's defined benefit OPEB plan, Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the City. RBP is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### **Benefits Provided**

Benefits provisions are established through collective bargaining agreements and state that eligible retirees receive healthcare insurance at established contributions rates. The Retiree Health Plan does not issue a publicly available financial report.

#### **Employees Covered by Benefit Terms**

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	47
Active plan members	<u>131</u>
Total	<u><u>178</u></u>

#### **Total OPEB Liability**

The City's total OPEB liability of \$25,646,207 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

#### **Actuarial Assumptions and Other Inputs**

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.97%
Salary increases	3.00%, average, including inflation
Healthcare cost trend rates	10% for 2021, decreasing to an ultimate rate 4.0% for 2030 and later years
Healthcare participation rate	100% of projected health insurance premiums for retirees

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

The actuarial assumptions used in the December 31, 2022 valuation were based on mortality, withdrawal, disablement and retirement, changes in compensation and government provided OPEB benefits, rates of investment earning and asset appreciation and depreciation.

## Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at January 1, 2022	<u>\$ 29,959,550</u>
Changes for the year:	
Service cost	1,325,972
Interest	644,476
Differences between expected and actual experience	943,972
Changes in assumptions or other inputs	(6,138,105)
Benefit payments	<u>(1,089,658)</u>
Net changes	<u>(4,313,343)</u>
Balances at December 31, 2022	<u>\$ 25,646,207</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.06% in 2021 to 3.72% in 2022.

## Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.7%) or 1-percentage-point higher (4.7%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 28,710,642</u>	<u>\$ 25,646,207</u>	<u>\$ 23,083,920</u>

## Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (9.0% decreasing to 3.0%) or 1-percentage-point higher (11.0% decreasing to 5.0%) than the current healthcare cost trend rates:

	<u>Healthcare Cost Trend</u>		
	<u>1% Decrease</u>	<u>Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 22,906,963</u>	<u>\$ 25,646,207</u>	<u>\$ 28,869,647</u>

## **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2022, the City recognized OPEB expense of \$1,485,337. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 884,912	\$ 2,676,853
Changes of assumptions or other inputs	<u>3,914,667</u>	<u>6,263,026</u>
<b>Total</b>	<b><u>\$ 4,799,579</u></b>	<b><u>\$ 8,939,879</u></b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Years Ending December 31:</b>	<b>Amount</b>
2023	\$ (485,030)
2024	(485,030)
2025	(485,030)
2026	(485,029)
2027	(255,366)
Thereafter	<u>(1,944,815)</u>
<b>Total</b>	<b><u>\$ (4,140,300)</u></b>

### **Local Retiree Life Insurance Fund (LRLIF)**

#### **Plan Description**

The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at the link above.

#### **Benefits Provided**

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

## **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

### **Contributions**

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan year reported as of December 31, 2022 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
50% Post Retirement Coverage	40% of member contribution
25% Post Retirement Coverage	20% of member contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the plan year are as listed below:

<b>Life Insurance Member Contribution Rates *For the Plan Year</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

\*Disabled members under age 70 receive a waiver-of-premium benefit

During the reporting period, the LRLIF recognized \$3,782 in contributions from the employer.

# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2022

## OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2022, the City reported a liability of 1,092,224 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.18479800%, which was a decrease of 0.01408500% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized OPEB expense of \$122,584.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 55,561
Net differences between projected and investment earnings on plan investments	14,211	-
Changes in actuarial assumptions	329,999	52,941
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,859	67,387
Employer contributions subsequent to the measurement date	7,320	-
<b>Total</b>	<b>\$ 357,389</b>	<b>\$ 175,889</b>

\$7,320 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2023	\$ 43,459
2024	41,810
2025	36,228
2026	46,606
2027	13,835
Thereafter	(7,758)

## **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

### **Actuarial Assumptions**

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability (Asset)	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020. Published November
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.17%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.10% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

## **City of South Milwaukee**

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### Notes to Financial Statements

December 31, 2022

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The Total OPEB Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 actuarial valuation.

### **Long-Term Expected Return on Plan Assets**

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**State OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December 31, 2021**

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
US Intermediate Credit Bonds	Bloomberg US Interim Credit	45.00%	1.68%
US Long Credit Bonds	Bloomberg US Long Credit	5.00%	1.82%
US Mortgages	Bloomberg US MBS	50.00%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

# **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

## **Single Discount Rate**

A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

## **Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate**

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.17%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	<b>1% Decrease to Discount Rate (1.17%)</b>	<b>Current Discount Rate (2.17%)</b>	<b>1% Increase to Discount Rate (3.17%)</b>
City's proportionate share of the net OPEB liability (asset)	\$ 1,481,755	\$ 1,092,224	\$ 799,119

## **Effect of New Accounting Standards on Current-Period Financial Statements**

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

## **City of South Milwaukee**

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Notes to Financial Statements  
December 31, 2022

### **Tax Incremental Financing District (TID)**

The City has five Tax Incremental Financing Districts currently active. Tax increment financing, as authorized by the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in TID designated areas. These costs are recovered from property taxes generated on taxable value over a base valuation determined at the start of the project. The City has financed development and public improvement costs in certain designated areas through the issuance of bond anticipation notes, general obligation promissory notes and a line of credit. Project costs will be reported as Capital Projects Fund expenditures. Tax increments are reported as revenue of the Special Revenue Fund. Resources are transferred to the Debt Service Fund to the extent required for maturing debt obligations, which were incurred to provide financing for development and public improvement costs within the TID. Recovery of project costs through tax increments is limited by State law to a period of twenty-seven years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## City of South Milwaukee

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP)

General Fund

Year Ended December 31, 2022

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
<b>Revenues</b>			
Taxes	\$ 8,025,912	\$ 8,043,532	\$ 17,620
Intergovernmental	4,552,773	4,560,825	8,052
Licenses and permits	342,000	423,783	81,783
Fines, forfeitures and penalties	295,000	308,176	13,176
Public charges for services	985,929	916,201	(69,728)
Interdepartmental revenues	756,646	834,416	77,770
Investment income	45,000	188,299	143,299
Miscellaneous	110,643	211,882	101,239
 Total revenues	 15,113,903	 15,487,114	 373,211
<b>Expenditures</b>			
Current:			
General government	3,167,641	3,231,225	(63,584)
Public safety	7,344,220	7,111,552	232,668
Public works	3,683,917	3,819,338	(135,421)
Health and sanitation	585,894	593,406	(7,512)
Parks and recreation	190,748	155,112	35,636
Conservation and development	275,407	210,085	65,322
Other	40,000	29,815	10,185
 Total expenditures	 15,287,827	 15,150,533	 137,294
Excess (deficiency) of revenues over (under) expenditures	(173,924)	336,581	510,505
<b>Other Financing Sources (Uses)</b>			
Transfer in	745,986	594,734	(151,252)
Transfer out	(1,343,633)	(863,118)	480,515
 Net change in fund balance	 \$ (771,571)	 68,197	 \$ 839,768
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>			
Revenue credited to designated funds		163,849	
Expenditures credited to designated funds		(372,650)	
 Net change in fund balance, generally accepted accounting principles basis	 (140,604)		
<b>Fund Balances, Beginning</b>			
		6,244,237	
<b>Fund Balances, Ending</b>			
		\$ 6,103,633	

**City of South Milwaukee**

Schedule of City's Proportionate Share of the Net Pension Liability (Asset) -

Wisconsin Retirement System

Year Ended December 31, 2022

WRS Fiscal Year End	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.090580130%	\$ (2,200,580)	\$ 9,655,137	22.79%	102.74%
12/31/15	0.090320880%	1,467,697	9,784,397	15.00%	98.20%
12/31/16	0.088959710%	742,080	9,722,475	7.63%	99.12%
12/31/17	0.089990950%	(2,703,945)	9,745,969	27.74%	102.93%
12/31/18	0.090996850%	3,276,700	9,861,966	33.23%	96.45%
12/31/19	0.092776980%	(2,991,564)	10,117,263	29.57%	102.96%
12/31/20	0.091528400%	(5,785,697)	10,260,075	56.39%	105.26%
12/31/21	0.092189720%	(7,430,660)	10,559,109	70.37%	106.02%

Schedule of Employer Contributions - Wisconsin Retirement System

Year Ended December 31, 2022

City Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 863,388	\$ 863,388	\$ -	\$ 9,784,357	8.82%
12/31/16	859,080	859,080	-	9,722,475	8.84%
12/31/17	934,900	934,900	-	9,745,969	9.59%
12/31/18	952,574	952,574	-	9,861,966	9.66%
12/31/19	1,124,221	1,124,221	-	10,117,264	11.11%
12/31/20	1,051,134	1,051,134	-	10,260,075	10.24%
12/31/21	1,061,013	1,061,013	-	10,393,490	10.21%
12/31/22	989,047	989,047	-	10,709,676	9.24%

**City of South Milwaukee**

Schedule of Changes in the Total OPEB Liability and Related Ratios -

Other Postemployment Benefits Liability - Health

Year Ended December 31, 2022

	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 1,325,972	\$ 1,014,634	\$ 985,082	\$ 982,734	\$ 1,077,152
Interest	644,476	774,481	837,382	1,073,395	942,022
Differences between expected and actual experience	943,972	(171,396)	(2,938,405)	(1,018,415)	-
Changes of assumptions	(6,138,105)	2,238,542	-	2,603,282	-
Benefit payments	<u>(1,089,658)</u>	<u>(1,045,298)</u>	<u>(1,190,769)</u>	<u>(1,046,087)</u>	<u>(1,386,619)</u>
Net change in total OPEB liability	(4,313,343)	2,810,963	(2,306,710)	2,594,909	632,555
Total OPEB liability, beginning	<u>29,959,550</u>	<u>27,148,587</u>	<u>29,455,297</u>	<u>26,860,388</u>	<u>26,227,833</u>
Total OPEB liability, ending	<u>\$ 25,646,207</u>	<u>\$ 29,959,550</u>	<u>\$ 27,148,587</u>	<u>\$ 29,455,297</u>	<u>\$ 26,860,388</u>
<b>Covered-Employee Payroll</b>					
Total OPEB liability as a percentage of covered-employee payroll	276.60%	291.80%	272.36%	304.26%	313.98%

*See notes to required supplementary information*

## City of South Milwaukee

Schedule of Proportionate Share of the Net OPEB Liability -

Local Retiree Life Insurance Fund (LRLIF)

Year Ended December 31, 2022

Plan Fiscal Year End	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/17	0.20625600%	\$ 620,539	\$ 9,749,965	6.36%	44.81%
12/31/18	0.20842200%	537,799	9,577,000	5.62%	48.69%
12/31/19	0.20490200%	872,513	10,000,000	8.73%	37.58%
12/31/20	0.19888300%	1,094,000	9,732,000	11.24%	31.36%
12/31/21	0.18479800%	1,092,224	10,303,000	10.60%	29.57%

Schedule of Employer Contributions - Local retiree Life Insurance Fund (LRLIF)

Year Ended December, 2022

City Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/18	\$ 6,452	\$ 6,452	\$ -	\$ 9,906,348	0.07%
12/31/19	7,150	7,150	-	10,117,264	0.07%
12/31/20	7,583	7,583	-	10,260,075	0.07%
12/31/21	8,000	8,000	-	10,393,490	0.08%
12/31/22	7,320	7,320	-	10,709,676	0.07%

# **City of South Milwaukee**

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Notes to Required Supplementary Information  
Year Ended December 31, 2022

## **Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure.

## **Wisconsin Retirement System**

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The City is required to present the last ten years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in assumptions.* Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

## **City of South Milwaukee**

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Notes to Required Supplementary Information  
Year Ended December 31, 2022

### **Health Insurance Plan**

The City is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefits terms for the City.

*Changes in assumptions.* The discount rate was changed from 2.06% to 3.72%. The inflation rate was changed from 0.31% to 1.97%.

### **Local Retiree Life Insurance Fund (LRLIF)**

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in LRLIF.

*Changes in assumptions.* In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three-year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

## **SUPPLEMENTARY INFORMATION**

**City of South Milwaukee**

Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2022

	Special Revenue Funds									
	Library	Recycling	Paramedic	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government		Police
<b>Assets</b>										
Cash and investments	\$ 417,443	\$ 582,503	\$ 2,659,106	\$ 149,844	\$ -	\$ 7,123	\$ -	\$ 125,138	\$ 86,911	
Receivables:										
Taxes	-	499,120	319,658	-	-	-	-	-	-	
Accounts	-	-	220,069	-	17,678	37,011	392	-	-	2,577
Special assessments	-	-	-	-	-	-	-	-	-	
Total assets	<u>\$ 417,443</u>	<u>\$ 1,081,623</u>	<u>\$ 3,198,833</u>	<u>\$ 149,844</u>	<u>\$ 17,678</u>	<u>\$ 44,134</u>	<u>\$ 392</u>	<u>\$ 125,138</u>	<u>\$ 89,488</u>	
<b>Liabilities Deferred Inflows of Resources and Fund Balances</b>										
<b>Liabilities</b>										
Accounts payable	\$ 36,806	\$ 22,232	\$ 13,125	\$ -	\$ -	\$ 326	\$ -	\$ 1,760	\$ -	
Accrued payroll	-	167	30,855	4,788	-	8,845	75	-	-	
Deposits	-	-	-	-	-	-	-	-	-	
Unearned revenue	-	-	-	-	-	-	-	-	-	
Due to other funds	15,184	-	-	-	17,213	-	-	-	-	
Total liabilities	<u>51,990</u>	<u>22,399</u>	<u>43,980</u>	<u>4,788</u>	<u>17,213</u>	<u>9,171</u>	<u>75</u>	<u>1,760</u>	<u>-</u>	
<b>Deferred Inflows of Resources</b>										
Unearned revenues	-	499,120	760,503	-	-	-	-	-	-	
Unavailable revenues	-	-	-	-	-	-	-	-	-	
Total deferred inflows of resources	<u>-</u>	<u>499,120</u>	<u>760,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Fund Balances</b>										
Restricted	365,453	-	-	-	465	-	-	-	-	89,488
Committed	-	560,104	2,394,350	145,056	-	34,963	317	123,378	-	
Assigned	-	-	-	-	-	-	-	-	-	
Total fund balances	<u>365,453</u>	<u>560,104</u>	<u>2,394,350</u>	<u>145,056</u>	<u>465</u>	<u>34,963</u>	<u>317</u>	<u>123,378</u>	<u>89,488</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 417,443</u>	<u>\$ 1,081,623</u>	<u>\$ 3,198,833</u>	<u>\$ 149,844</u>	<u>\$ 17,678</u>	<u>\$ 44,134</u>	<u>\$ 392</u>	<u>\$ 125,138</u>	<u>\$ 89,488</u>	

**City of South Milwaukee**

Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2022

	Special Revenue Funds						Capital Projects Funds						Total Nonmajor Funds
	Health	Fire	Referendum Officer	Economic Development	Bucyrus	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3			
<b>Assets</b>													
Cash and investments	\$ 756,931	\$ 98,923	\$ 573,876	\$ 753,322	\$ -	\$ 930,933	\$ 261,024	\$ 90,920	\$ -	\$ 593,807	\$ 8,087,804		
Receivables:													
Taxes	-	-	103,424	-	-	-	3,397	-	-	-	-	925,599	
Accounts	134,021	-	-	-	800,000	-	43,149	-	-	-	-	1,254,897	
Special assessments	-	-	-	-	-	-	36,153	-	-	-	-	36,153	
Total assets	<u>\$ 890,952</u>	<u>\$ 98,923</u>	<u>\$ 677,300</u>	<u>\$ 753,322</u>	<u>\$ 800,000</u>	<u>\$ 930,933</u>	<u>\$ 343,723</u>	<u>\$ 90,920</u>	<u>\$ -</u>	<u>\$ 593,807</u>	<u>\$ 10,304,453</u>		
<b>Liabilities Deferred Inflows of Resources and Fund Balances</b>													
<b>Liabilities</b>													
Accounts payable	\$ 11,313	\$ -	\$ -	\$ 409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,971	
Accrued payroll	10,020	-	-	3,903	-	-	-	-	-	-	-	58,653	
Deposits	-	-	54,136	-	-	-	-	-	-	-	-	54,136	
Unearned revenue	-	49,350	-	-	-	-	-	-	-	-	-	49,350	
Due to other funds	-	-	-	73,663	-	-	-	-	-	-	-	106,060	
Total liabilities	<u>21,333</u>	<u>49,350</u>	<u>-</u>	<u>58,448</u>	<u>73,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,170</u>	
<b>Deferred Inflows of Resources</b>													
Unearned revenues	-	-	246,060	-	-	-	2,298	-	-	-	-	1,507,981	
Unavailable revenues	-	-	-	-	-	-	36,154	-	-	-	-	36,154	
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>246,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,544,135</u>	
<b>Fund Balances</b>													
Restricted	-	-	-	-	726,337	930,933	305,271	90,920	-	593,807	3,102,674		
Committed	869,619	49,573	431,240	-	-	-	-	-	-	-	-	4,608,600	
Assigned	-	-	-	694,874	-	-	-	-	-	-	-	694,874	
Total fund balances	<u>869,619</u>	<u>49,573</u>	<u>431,240</u>	<u>694,874</u>	<u>726,337</u>	<u>930,933</u>	<u>305,271</u>	<u>90,920</u>	<u>-</u>	<u>593,807</u>	<u>8,406,148</u>		
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 890,952</u>	<u>\$ 98,923</u>	<u>\$ 677,300</u>	<u>\$ 753,322</u>	<u>\$ 800,000</u>	<u>\$ 930,933</u>	<u>\$ 343,723</u>	<u>\$ 90,920</u>	<u>\$ -</u>	<u>\$ 593,807</u>	<u>\$ 10,304,453</u>		

**City of South Milwaukee**

Combing Statement of Revenues, Expenditures and  
 Changes in Fund Balances -  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2022

	Special Revenue Funds											
	Library		Recycling		Paramedic		School Liaison Police Program		Community Development			
<b>Revenues</b>												
Taxes	\$ -	\$ -	\$ 894,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Intergovernmental	9,419	81,580	98,860	63,130	55,500	82,200	924	4,728	49,892	-		
Public charges for services	18,396	484,162	508,335	-	-	127,969	4,992	-	-	-		
Public improvement revenues	-	-	-	-	-	-	-	-	-	-		
Investment income	-	-	-	-	-	-	-	-	-	-		
Miscellaneous	19,164	-	-	-	-	-	-	17,847	4,780	-		
<b>Total revenues</b>	<b>46,979</b>	<b>565,742</b>	<b>1,501,849</b>	<b>63,130</b>	<b>55,500</b>	<b>210,169</b>	<b>5,916</b>	<b>22,575</b>	<b>54,672</b>			
<b>Expenditures</b>												
Current:												
General government	-	-	-	-	-	-	-	13,814	-	-		
Public safety	-	-	1,286,374	167,024	-	-	-	2,083	21,302	-		
Public works	-	537,159	-	-	-	-	6,098	-	-	-		
Health and social services	-	-	-	-	55,500	210,432	-	-	-	-		
Conservation and development	-	-	-	-	-	-	-	-	-	-		
Library	794,539	-	-	-	-	-	-	-	-	-		
Capital outlay	45,197	-	-	-	-	-	-	-	1,437	-		
Debt service:												
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-		
<b>Total expenditures</b>	<b>839,736</b>	<b>537,159</b>	<b>1,286,374</b>	<b>167,024</b>	<b>55,500</b>	<b>210,432</b>	<b>6,098</b>	<b>15,897</b>	<b>22,739</b>			
Excess (deficiency) of revenues over expenditures	(792,757)	28,583	215,475	(103,894)	-	(263)	(182)	6,678	31,933	-		
<b>Other Financing Sources (Uses)</b>												
Debt proceeds	-	-	-	-	-	-	-	-	-	-		
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-		
Transfer in	690,142	-	-	155,077	-	17,400	499	10,000	-	-		
Transfer out	-	-	-	-	-	-	-	-	-	-		
<b>Total other financing sources (uses)</b>	<b>690,142</b>	<b>-</b>	<b>-</b>	<b>155,077</b>	<b>-</b>	<b>17,400</b>	<b>499</b>	<b>10,000</b>	<b>-</b>			
Net change in fund balances	(102,615)	28,583	215,475	51,183	-	17,137	317	16,678	31,933	-		
<b>Fund Balances, Beginning</b>	<b>468,068</b>	<b>531,521</b>	<b>2,178,875</b>	<b>93,873</b>	<b>465</b>	<b>17,826</b>	<b>-</b>	<b>106,700</b>	<b>57,555</b>			
<b>Fund Balances, Ending</b>	<b>\$ 365,453</b>	<b>\$ 560,104</b>	<b>\$ 2,394,350</b>	<b>\$ 145,056</b>	<b>\$ 465</b>	<b>\$ 34,963</b>	<b>\$ 317</b>	<b>\$ 123,378</b>	<b>\$ 89,488</b>			

**City of South Milwaukee**

Combing Statement of Revenues, Expenditures &

Changes in Fund Balances -

Nonmajor Governmental Funds

Year Ended December 31, 2022

	Special Revenue Funds						Capital Projects Funds						Total Nonmajor Funds	
	Health		Referendum Officer		Economic Development		Bucyrus		Equipment		Special Assessment and Interest			
	Health	Fire	Referendum Officer	Economic Development	Bucyrus	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3				
<b>Revenues</b>														
Taxes	\$ -	\$ -	\$ 234,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,129,605	
Intergovernmental	677,398	13,967	-	-	800,000	-	-	50,850	-	-	-	-	1,988,448	
Public charges for services	-	-	-	-	-	-	-	-	-	-	-	-	1,143,854	
Public improvement revenues	-	-	-	-	-	-	32,959	-	-	-	-	-	32,959	
Investment income	-	-	-	-	-	-	4,349	13,580	-	25,568	-	43,497		
Miscellaneous	200	-	-	71,204	-	-	-	-	-	-	-	-	113,195	
<b>Total revenues</b>	<b>677,598</b>	<b>13,967</b>	<b>234,951</b>	<b>71,204</b>	<b>800,000</b>	<b>-</b>	<b>37,308</b>	<b>64,430</b>	<b>-</b>	<b>25,568</b>	<b>-</b>	<b>4,451,558</b>		
<b>Expenditures</b>														
Current:														
General government	-	-	-	-	-	-	-	-	-	-	-	-	13,814	
Public safety	-	2,779	143,986	-	-	-	-	-	-	-	-	-	1,623,548	
Public works	-	-	-	-	-	-	-	-	-	-	-	-	543,257	
Health and social services	475,503	-	-	-	-	-	-	-	-	-	-	-	741,435	
Conservation and development	-	-	-	239,799	-	-	-	-	-	-	-	-	239,799	
Library	-	-	-	-	-	-	-	-	-	-	-	-	794,539	
Capital outlay	-	-	-	8,700	-	362,367	-	22,054	12,049	11,629	-	-	463,433	
Debt service:														
Interest and fiscal charges	-	-	-	-	-	-	-	32,160	-	-	-	-	32,160	
<b>Total expenditures</b>	<b>475,503</b>	<b>2,779</b>	<b>143,986</b>	<b>248,499</b>	<b>-</b>	<b>362,367</b>	<b>-</b>	<b>54,214</b>	<b>12,049</b>	<b>11,629</b>	<b>-</b>	<b>4,451,985</b>		
Excess (deficiency) of revenues over expenditures	202,095	11,188	90,965	(177,295)	800,000	(362,367)	37,308	10,216	(12,049)	13,939	-	(427)		
<b>Other Financing Sources (Uses)</b>														
Debt proceeds	-	-	-	-	-	1,293,300	-	1,600,000	-	-	-	-	2,893,300	
Premium on debt issuance	-	-	-	-	-	-	-	80,704	-	-	-	-	80,704	
Transfer in	-	-	-	-	-	-	-	-	678,085	-	-	-	1,551,203	
Transfer out	-	-	-	-	(73,663)	-	-	(1,600,000)	(666,036)	-	-	-	(2,339,699)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,663)</b>	<b>1,293,300</b>	<b>-</b>	<b>80,704</b>	<b>12,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,185,508</b>	
Net change in fund balances	202,095	11,188	90,965	(177,295)	726,337	930,933	37,308	90,920	-	13,939	-	-	2,185,081	
<b>Fund Balances, Beginning</b>	<b>667,524</b>	<b>38,385</b>	<b>340,275</b>	<b>872,169</b>	<b>-</b>	<b>-</b>	<b>267,963</b>	<b>-</b>	<b>-</b>	<b>579,868</b>	<b>-</b>	<b>6,221,067</b>		
<b>Fund Balances, Ending</b>	<b>\$ 869,619</b>	<b>\$ 49,573</b>	<b>\$ 431,240</b>	<b>\$ 694,874</b>	<b>\$ 726,337</b>	<b>\$ 930,933</b>	<b>\$ 305,271</b>	<b>\$ 90,920</b>	<b>\$ -</b>	<b>\$ 593,807</b>	<b>\$ -</b>	<b>\$ 8,406,148</b>		