

City of South Milwaukee

Financial Statements and
Supplementary Information

December 31, 2023

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, 2023 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, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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 9, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
September 9, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(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, 2023. 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 \$44.1 million (net position).

The government's total net position increased in total by \$13.0 million from 2022 to 2023.

As of the close of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$38.9 million, an increase of \$7.9 million in comparison with the prior year.

The total long-term obligations for the City of South Milwaukee increased by approximately \$3.4 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).

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

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 and special revenue fund - Bucyrus, 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 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.

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

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 beginning on page 23 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 74-77 of this report.

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

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 \$44.1 million at the close of the most recent fiscal year, as presented in the following table.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 59,337	\$ 59,478	\$ 13,450	\$ 13,075	\$ 72,787	\$ 72,553
Capital assets, net of depreciation	28,569	26,983	47,556	48,258	76,125	75,241
Total assets	87,906	86,461	61,006	61,333	148,912	147,794
Deferred outflows of resources	21,519	17,567	2,267	1,980	23,786	19,547
Current and other liabilities	2,563	4,281	359	635	2,922	4,916
Noncurrent liabilities	63,719	60,311	25,616	26,914	89,335	87,225
Total liabilities	66,282	64,592	25,975	27,549	92,257	92,141
Deferred inflows of resources	33,005	40,110	3,326	4,015	36,331	44,125
Net position (Deficit)						
Net investment in capital assets	2,027	1,015	26,531	25,580	28,558	26,595
Restricted	17,693	14,244	2,176	2,761	19,869	17,005
Unrestricted (deficit)	(9,582)	(15,933)	5,265	3,408	(4,317)	(12,525)
Total net position (deficit)	\$ 10,138	\$ (674)	\$ 33,972	\$ 31,749	\$ 44,110	\$ 31,075

The City of South Milwaukee's governmental activities net position includes \$2,027,443 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 \$10.8 million.

Business-Type Activities

Business-type activities increased the net position by \$2.22 million.

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

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

City of South Milwaukee's Changes in Net Position Years Ended December 31, 2023 and 2022 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 3,194	\$ 3,299	\$ 9,807	\$ 9,518	\$ 13,001	\$ 12,817
Operating grants and contributions	9,614	1,618	158	249	9,772	1,867
Capital grants and contributions	-	-	656	651	656	651
General revenues	-	-	-	-	-	-
Property taxes	14,454	13,769	-	-	14,454	13,769
Other taxes	24	43	-	-	24	43
Intergovernmental revenues not restricted to specific programs	-	-	-	-	-	-
Investment income	5,663	5,464	-	-	5,663	5,464
Miscellaneous/Other	2,612	444	387	90	2,999	534
	871	607	8	9	879	616
Total revenues	36,432	25,244	11,016	10,517	47,448	35,761
Expenses			-	-		
General government	4,540	3,409	-	-	4,540	3,409
Protection of persons and property	11,525	7,871	-	-	11,525	7,871
Public works	6,192	6,110	-	-	6,192	6,110
Conservation and development	702	541	-	-	702	541
Health and human services	1,290	1,275	-	-	1,290	1,275
Library	842	819	-	-	842	819
Parks and recreation	177	164	-	-	177	164
Other	10	30	-	-	10	30
Interest and fiscal charges	843	1,014	-	-	843	1,014
Water	-	-	3,863	3,799	3,863	3,799
Wastewater	-	-	3,278	3,121	3,278	3,121
Stormwater	-	-	554	868	554	868
Parkcrest	-	-	597	515	597	515
Total expenses	26,121	21,233	8,292	8,303	34,413	29,536
Increase in net position before transfers	10,311	4,011	2,724	2,214	13,035	6,225
Transfers	501	521	(501)	(521)	-	-
Increase in net position	10,812	4,532	2,223	1,693	13,035	6,225
Net Position, January 1, 2023	(674)	(5,206)	31,749	30,056	31,075	24,850
Net Position, December 31, 2023	\$ 10,138	\$ (674)	\$ 33,972	\$ 31,749	44,110	31,075

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

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 \$38.97 million, an increase of approximately \$7.896 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 \$7,296,740.

The debt service fund has a total fund balance of \$1,051,767 which is restricted for debt service requirements.

The special revenue fund - American rescue plan act has a total fund balance of \$134,199 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 \$1,093,259 which is restricted for tax increment district projects.

The capital project fund – public works projects has a total fund balance of \$7,934,845 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 \$545,010. The Sewer Utility had unrestricted net position of \$3,580,964. The Stormwater Utility had unrestricted net position of \$779,456. The change in net position for the funds was an increase in the Water Utility amounting to \$613,516, an increase in the Sewer Utility of \$1,090,589 and an increase in the Stormwater Utility of \$586,320. 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 2023. The City's General Fund has \$1,660,091 more in revenues and other financing sources than expenditures and other financing uses on a budgetary basis.

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

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, 2023 amounts to \$76.1 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, 2023 and 2022

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land & improvements	\$ 2,989	\$ 2,989	\$ 17	\$ 17	\$ 3,006	\$ 3,006
Intangible assets	34	81	110	110	144	191
Construction in progress	2,851	2,514	20	3,992	2,871	6,506
Structures and improvements	7,268	7,540	6,807	6,810	14,075	14,350
Machinery & equipment	3,787	3,057	9	12	3,796	3,069
Library Books	259	299	-	-	259	299
Infrastructure	11,381	10,503	40,593	37,317	51,974	47,820
Total	<u>\$ 28,569</u>	<u>\$ 26,983</u>	<u>\$ 47,556</u>	<u>\$ 48,258</u>	<u>\$ 76,125</u>	<u>\$ 75,241</u>

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

Long-Term Obligations

At the end of the current fiscal year, the City of South Milwaukee had total obligations outstanding of \$6.1 million. Of this amount, \$4.6 million was for the City's General Obligation debt which included TIF #1, TIF #2 and TIF #3.

City of South Milwaukee Long-Term Obligations

As of December 31, 2023 and 2022

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General Obligation Debt	\$ 32,298	\$ 35,432	\$ 3,852	\$ 4,668	\$ 36,150	\$ 40,100
Premium on Debt Issued	663	803	119	146	782	949
Revenue Bonds	-	-	17,201	18,357	17,201	18,357
Net Pension Liability	4,483	-	382	-	4,865	-
Net OPEB Liability	567	895	150	197	717	1,092
Total OPEB Liability	24,739	22,202	3,829	3,445	28,568	25,647
Accumulated Sick Pay	969	979	83	101	1,052	1,080
Total	<u>\$ 63,719</u>	<u>\$ 60,311</u>	<u>\$ 25,616</u>	<u>\$ 26,914</u>	<u>\$ 89,335</u>	<u>\$ 87,225</u>

The City of South Milwaukee had a bond rating by Moody's Investor Service of Aa2 for its general obligation debt in 2023. This reflects the City's strong financial position and moderate debt burden.

City of South Milwaukee

Management's Discussion and Analysis
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(Unaudited)

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, 2023 for the City of South Milwaukee is \$92,169,680 million which is significantly in excess of the City of South Milwaukee's outstanding general obligation debt of \$36,150,000 million.

Additional information on the City of South Milwaukee's long-term debt can be found in Note 4 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 offers multiple grant programs to attract and retain small businesses and commercial property owners. Grants are available for new businesses, interior and exterior improvements, and improved signage. Grant funds have been awarded to enhance the downtown and generate economic activity. The City of South Milwaukee also continues to work with the South Shore Chamber of Commerce, and Milwaukee 7. The City's involvement with these groups 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 emergency dispatch and 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 15th Avenue, South Milwaukee, Wisconsin 53172.

BASIC FINANCIAL STATEMENTS

City of South Milwaukee

Statement of Net Position

December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 50,726,599	\$ 7,162,281	\$ 57,888,880
Receivables:			
Taxes	6,966,562	1,090,011	8,056,573
Accounts	951,791	779,692	1,731,483
Special assessments	36,585	-	36,585
Interest	36,409	-	36,409
Leases	1,058,765	87,766	1,146,531
Accrued revenue	-	1,424,660	1,424,660
Internal balances	(439,829)	439,829	-
Prepaid items and inventories	-	92,690	92,690
Other assets	-	5,563	5,563
Restricted assets:			
Cash and investments	-	2,367,591	2,367,591
Capital assets:			
Land	2,988,589	16,596	3,005,185
Intangible assets	33,758	110,000	143,758
Construction in progress	2,851,018	19,740	2,870,758
Other capital and intangible assets, net of depreciation/amortization	22,695,299	47,409,794	70,105,093
Total assets	87,905,546	61,006,213	148,911,759
Deferred Outflows of Resources			
Deferred outflows related to OPEB, LRLIF	247,899	35,887	283,786
Deferred outflows related to OPEB, health	4,576,520	710,035	5,286,555
Deferred outflows related to pension	16,694,323	1,521,019	18,215,342
Total deferred outflows of resources	21,518,742	2,266,941	23,785,683
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable and accrued expenses	1,470,012	256,389	1,726,401
Accrued interest payable	-	85,321	85,321
Deposits	62,621	18,050	80,671
Unearned revenues	1,029,147	-	1,029,147
Noncurrent liabilities:			
Due within one year	3,903,394	2,270,534	6,173,928
Due in more than one year	59,815,583	23,345,013	83,160,596
Total liabilities	66,280,757	25,975,307	92,256,064
Deferred Inflows of Resources			
Deferred inflows related to pension	9,274,427	903,100	10,177,527
Deferred inflows related to OPEB, health	6,742,345	1,046,057	7,788,402
Deferred inflows related to OPEB, LRLIF	433,889	108,663	542,552
Unearned revenue	16,554,369	1,268,113	17,822,482
Total deferred inflows of resources	33,005,030	3,325,933	36,330,963
Net Position			
Net investment in capital assets	2,027,443	26,530,603	28,558,046
Restricted:			
Debt service	818,984	-	818,984
Library	352,503	-	352,503
Police federal asset forfeiture	88,640	-	88,640
TID purposes	8,006,901	-	8,006,901
American Rescue Plan Act	134,199	-	134,199
Bucyrus club	7,974,820	-	7,974,820
Special assessment and interest, capital projects	317,371	-	317,371
Equipment replacement reserve	-	1,582,405	1,582,405
Debt service reserve	-	593,859	593,859
Unrestricted (deficit)	(9,582,360)	5,265,047	(4,317,313)
Total net position	\$ 10,138,501	\$ 33,971,914	\$ 44,110,415

See notes to financial statements

City of South Milwaukee

Statement of Activities

Year Ended December 31, 2023

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
Governmental Activities							
General government	\$ 4,540,086	\$ 1,117,361	\$ 8,356,518	\$ -	\$ 4,933,793	\$ -	\$ 4,933,793
Public safety	11,524,799	1,136,595	352,492	-	(10,035,712)	-	(10,035,712)
Public works	6,192,176	911,056	158,786	-	(5,122,334)	-	(5,122,334)
Conservation and development	701,746	-	-	-	(701,746)	-	(701,746)
Health and human services	1,290,392	24,146	707,611	-	(558,635)	-	(558,635)
Library	842,397	4,729	38,311	-	(799,357)	-	(799,357)
Parks and recreation	177,367	-	-	-	(177,367)	-	(177,367)
Other	9,699	-	-	-	(9,699)	-	(9,699)
Interest and fiscal charges	842,355	-	-	-	(842,355)	-	(842,355)
Total governmental activities	26,121,017	3,193,887	9,613,718	-	(13,313,412)	-	(13,313,412)
Business-Type Activities							
Water	3,862,024	4,179,166	-	605,369	-	922,511	922,511
Sewer	3,277,259	4,118,994	-	50,666	-	892,401	892,401
Stormwater	553,550	1,120,325	-	-	-	566,775	566,775
Parkcrest housing authority	596,293	388,190	158,075	-	-	(50,028)	(50,028)
Total business-type activities	8,289,126	9,806,675	158,075	656,035	-	2,331,659	2,331,659
Total	\$ 34,410,143	\$ 13,000,562	\$ 9,771,793	\$ 656,035	(13,313,412)	2,331,659	(10,981,753)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					8,972,080	-	8,972,080
Property taxes, levied for debt service					2,992,345	-	2,992,345
Property taxes, levied for tax increment					1,728,601	-	1,728,601
Property taxes, levied for other purposes					760,503	-	760,503
Other taxes					24,445	-	24,445
Intergovernmental revenues not restricted to specific programs					5,662,653	-	5,662,653
Investment income					2,611,596	386,796	2,998,392
Miscellaneous					871,134	6,944	878,078
Total general revenues					23,623,357	393,740	24,017,097
Transfers					502,253	(502,253)	-
Change in net position					10,812,198	2,223,146	13,035,344
Net Position (Deficit), Beginning					(673,697)	31,748,768	31,075,071
Net Position, Ending					\$ 10,138,501	\$ 33,971,914	\$ 44,110,415

See notes to financial statements

City of South Milwaukee

Balance Sheet -
Governmental Funds
December 31, 2023

	General	Debt Service	Special Revenue Fund			Capital Projects Funds		Nonmajor Governmental Funds	Total
			Tax Incremental District Funds	American Rescue Plan Act	Bucyrus	Public Works Projects	Tax Increment District #5		
Assets									
Cash and investments	\$ 12,994,726	\$ 2,936,118	\$ 1,971,232	\$ 1,771,381	\$ 7,956,685	\$ 8,149,955	\$ 5,989,457	\$ 7,513,769	\$ 49,283,323
Receivables:									
Taxes	4,357,958	1,354,760	631,221	-	-	-	-	619,050	6,962,989
Accounts	529,101	-	-	-	18,135	-	11,972	315,051	874,259
Lease	576,605	-	-	-	-	-	482,160	-	1,058,765
Special assessments	-	-	-	-	-	-	-	36,585	36,585
Delinquent personal property taxes	3,573	-	-	-	-	-	-	-	3,573
Interest	36,409	-	-	-	-	-	-	-	36,409
Due from other funds	194,953	-	-	-	-	-	-	-	194,953
Total assets	\$ 18,693,325	\$ 4,290,878	\$ 2,602,453	\$ 1,771,381	\$ 7,974,820	\$ 8,149,955	\$ 6,483,589	\$ 8,484,455	\$ 58,450,856
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	\$ 249,968	\$ -	\$ -	\$ 13,375	\$ -	\$ 215,110	\$ 171,045	\$ 48,276	\$ 697,774
Accrued liabilities	409,923	-	-	-	-	-	-	52,980	462,903
Deposits	31,130	-	-	-	-	-	-	31,491	62,621
Unearned revenue	-	-	-	1,018,438	-	-	-	10,709	1,029,147
Due to other funds	-	-	-	605,369	-	-	-	29,413	634,782
Total liabilities	691,021	-	-	1,637,182	-	215,110	171,045	172,869	2,887,227
Deferred Inflows of Resources									
Unearned revenue	10,705,564	3,239,111	1,509,194	-	-	-	482,160	618,340	16,554,369
Unavailable revenue	-	-	-	-	-	-	-	36,154	36,154
Total deferred inflows of resources	10,705,564	3,239,111	1,509,194	-	-	-	482,160	654,494	16,590,523
Fund Balances									
Nonspendable	509,513	-	-	-	-	-	-	-	509,513
Restricted	-	1,051,767	1,093,259	134,199	7,974,820	5,412,835	5,830,384	1,841,772	23,339,036
Committed	4,909,374	-	-	-	-	2,522,010	-	4,795,318	12,226,702
Assigned	1,877,853	-	-	-	-	-	-	1,020,002	2,897,855
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	7,296,740	1,051,767	1,093,259	134,199	7,974,820	7,934,845	5,830,384	7,657,092	38,973,106
Total liabilities, deferred inflows of resources and fund balances	\$ 18,693,325	\$ 4,290,878	\$ 2,602,453	\$ 1,771,381	\$ 7,974,820	\$ 8,149,955	\$ 6,483,589	\$ 8,484,455	
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.									28,568,664
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 liability does not relate to current financial resources and is not reported in the governmental funds.									(4,483,341)
Deferred outflows of resources related to pension and OPEBs do not related to current financial resources and are not reported in the governmental funds.									21,518,742
Deferred inflows of resources related to pensions and OPEBs do not related to current financial resources and are not reported in the governmental funds.									(16,450,661)
Internal service funds are reported in the Statement of Net Position as governmental activities.									1,444,256
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.									(59,468,419)
Net Position of Governmental Activities									\$ 10,138,501

See notes to financial statements

City of South Milwaukee

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2023

	Special Revenue Fund									
	General	Debt Service	Tax Incremental District Funds	American Rescue Plan Act	Bucyrus	Capital Projects Funds		Nonmajor Governmental Funds	Total Governmental Funds	
						Public Works Projects	Tax Increment District #5			
Revenues										
Taxes	\$ 8,713,454	\$ 2,992,345	\$ 1,765,612	\$ -	\$ -	\$ -	\$ -	\$ 1,006,563	\$ 14,477,974	
Intergovernmental	4,623,279	-	15,830	1,139,942	-	-	(0)	1,050,000	1,298,123	8,127,174
Regulation and compliance	734,377	-	-	-	-	-	-	-	-	734,377
Public charges for services	845,699	-	-	-	-	-	-	-	1,148,099	1,993,798
Public improvement revenues	-	-	-	-	-	-	-	-	11,252	11,252
Interdepartmental revenues	977,778	-	-	-	-	-	-	-	-	977,778
Investment income	1,431,935	-	-	100,993	395,752	217,162	273,278	181,464	2,600,584	
Miscellaneous	125,835	-	-	-	7,200,000	-	82,046	100,145	7,508,026	
Total revenues	17,452,357	2,992,345	1,781,442	1,240,935	7,595,752	217,162	1,405,324	3,745,646	36,430,963	
Expenditures										
Current:										
General government	3,195,195	-	-	964,942	-	-	-	24,101	4,184,238	
Public safety	7,643,819	-	-	-	-	-	-	1,847,900	9,491,719	
Public works	3,780,743	-	-	-	-	-	-	575,350	4,356,093	
Health and human services	576,019	-	-	-	-	-	-	686,716	1,262,735	
Library	-	-	-	-	-	-	-	693,201	693,201	
Parks and recreation	177,367	-	-	-	-	-	-	-	177,367	
Conservation and development	295,926	-	-	-	193,813	-	4,701	108,441	602,881	
Other	9,699	-	-	-	-	-	-	-	9,699	
Capital outlay	216,983	-	-	-	-	2,486,822	60,445	1,218,816	3,983,066	
Debt service:										
Principal retirement	-	3,134,317	-	-	-	-	-	-	3,134,317	
Interest and fiscal charges	-	1,142,178	-	-	-	-	-	-	1,142,178	
Total expenditures	15,895,751	4,276,495	-	964,942	193,813	2,486,822	65,146	5,154,525	29,037,494	
Excess (deficiency) of revenues over expenditures	1,556,606	(1,284,150)	1,781,442	275,993	7,401,939	(2,269,660)	1,340,178	(1,408,879)	7,393,469	
Other Financing Sources (Uses)										
Transfers in	785,358	1,476,882	-	-	10,000	6,309	688,706	2,125,254	5,092,509	
Transfers out	(1,148,857)	-	(1,848,890)	(175,000)	(163,456)	(186,397)	(328,563)	(739,094)	(4,590,257)	
Total other financing sources (uses)	(363,499)	1,476,882	(1,848,890)	(175,000)	(153,456)	(180,088)	360,143	1,386,160	502,252	
Net change in fund balance	1,193,107	192,732	(67,448)	100,993	7,248,483	(2,449,748)	1,700,321	(22,719)	7,895,721	
Fund Balances, Beginning	6,103,633	859,035	1,160,707	33,206	726,337	10,384,593	4,130,063	7,679,811	31,077,385	
Fund Balances, Ending	\$ 7,296,740	\$ 1,051,767	\$ 1,093,259	\$ 134,199	\$ 7,974,820	\$ 7,934,845	\$ 5,830,384	\$ 7,657,092	\$ 38,973,106	

See notes to financial statements

City of South Milwaukee

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2023

Net Change in Fund Balances, Total Governmental Funds \$ 7,895,721

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	3,983,066
Some items reported as capital outlay are not capitalized	(559,420)
Depreciation is reported in the government-wide statements	(1,740,294)

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.

Principal repaid	3,134,315
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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.

39,368

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	9,961
Amortization of loss on refunding	(8,754)
Amortization of premium	140,260
Net pension liability	(11,284,139)
Deferred outflows of resources related to pension and OPEB	3,960,714
Deferred inflows of resources related to pension and OPEB	7,390,591
Net and total OPEB liabilities	(2,209,667)
Accrued interest on debt	158,353

Change in Net Position of Governmental Activities \$ 10,812,198

City of South Milwaukee

Statement of Net Position -
Proprietary Funds
December 31, 2023

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Total	Internal Service Fund
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and investments	\$ 1,948,683	\$ 3,354,449	\$ 1,490,161	\$ 368,988	\$ 7,162,281	\$ 1,443,276
Taxes receivable	307,492	288,838	493,681	-	1,090,011	-
Accounts receivable	763,522	5,830	-	10,340	779,692	77,532
Lease receivable	87,766	-	-	-	87,766	-
Due from other funds	618,109	584,187	-	-	1,202,296	-
Prepaid items and inventories	80,659	-	-	12,031	92,690	-
Accrued revenue	634,181	790,479	-	-	1,424,660	-
Restricted assets:						
Cash and investments	160,208	479,088	-	-	639,296	-
Total current assets	4,600,620	5,502,871	1,983,842	391,359	12,478,692	1,520,808
Noncurrent Assets						
Restricted assets:						
Cash and investments	145,890	1,582,405	-	-	1,728,295	-
Capital assets:						
Land	2,400	8,000	-	6,196	16,596	-
Intangible assets	110,000	-	-	-	110,000	-
Property and equipment	31,735,943	37,474,749	12,729,980	4,960,047	86,900,719	-
Construction work in progress	-	19,740	-	-	19,740	-
Less accumulated depreciation	(13,550,502)	(18,499,363)	(3,585,470)	(3,855,590)	(39,490,925)	-
Other assets	-	-	-	5,563	5,563	-
Total noncurrent assets	18,443,731	20,585,531	9,144,510	1,116,216	49,289,988	-
Total assets	23,044,351	26,088,402	11,128,352	1,507,575	61,768,680	1,520,808
Deferred Outflows of Resources						
Deferred outflows related to pensions	747,337	579,492	-	194,190	1,521,019	-
Deferred outflows related to OPEB, health	494,875	215,160	-	-	710,035	-
Deferred outflows related to OPEB, life	23,145	12,742	-	-	35,887	-
Total deferred outflows of resources	1,265,357	807,394	-	194,190	2,266,941	-
Liabilities, Deferred Inflows of Resources and Net Position						
Liabilities						
Accounts payable	61,394	88,948	11,730	11,143	173,215	-
Accrued liabilities	42,567	25,815	3,653	11,139	83,174	76,552
Accrued interest	31,228	-	8,656	-	39,884	-
Special deposits	-	-	-	18,050	18,050	-
Due to other funds	658,465	73,854	-	30,148	762,467	-
Current portion of general obligation debt	191,800	194,100	405,400	-	791,300	-
Current portion of compensated absences	-	19,842	-	-	19,842	-
Liabilities payable from restricted assets:						
Current portion of revenue bonds	809,820	649,572	-	-	1,459,392	-
Accrued interest	2,396	43,041	-	-	45,437	-
Total current liabilities	1,797,670	1,095,172	429,439	70,480	3,392,761	76,552
Noncurrent Liabilities						
Compensated absences	43,827	19,842	-	-	63,669	-
Total OPEB liability, health	2,668,697	1,160,303	-	-	3,829,000	-
Net Pension Liability	186,874	143,167	-	52,035	382,076	-
Net OPEB liability, life	114,906	34,637	-	-	149,543	-
Long-term bonds and notes payable:						
General obligation debt	903,555	1,104,304	1,171,671	-	3,179,530	-
Revenue bonds	6,754,852	8,986,343	-	-	15,741,195	-
Total noncurrent liabilities	10,672,711	11,448,596	1,171,671	52,035	23,345,013	-
Total liabilities	12,470,381	12,543,768	1,601,110	122,515	26,737,774	76,552
Deferred Inflows of Resources						
Deferred inflows related to pension	454,215	339,905	-	108,980	903,100	-
Deferred inflows related to OPEB, health	729,072	316,985	-	-	1,046,057	-
Deferred inflows related to OPEB, life	81,748	26,915	-	-	108,663	-
Unearned revenue	87,766	-	1,180,347	-	1,268,113	-
Total deferred inflows of resources	1,352,801	683,805	1,180,347	108,980	3,325,933	-
Net Position						
Net investment in capital assets	9,783,704	8,068,807	7,567,439	1,110,653	26,530,603	-
Restricted:						
Equipment replacement reserve	-	1,582,405	-	-	1,582,405	-
Debt service reserve	157,812	436,047	-	-	593,859	-
Unrestricted (deficit)	545,010	3,580,964	779,456	359,617	5,265,047	1,444,256
Total net position	\$ 10,486,526	\$ 13,668,223	\$ 8,346,895	\$ 1,470,270	\$ 33,971,914	\$ 1,444,256

See notes to financial statements

City of South Milwaukee

Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
Year Ended December 31, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Internal Service Fund
				Total	
Operating Revenues					
Charges for services	\$ 4,023,040	\$ 3,974,113	\$ 1,120,325	\$ 388,190	\$ 9,505,668
Other operating revenues	156,126	144,881	-	-	301,007
Total operating revenues	4,179,166	4,118,994	1,120,325	388,190	9,806,675
Operating Expenses					
Operation and maintenance	2,679,623	2,149,785	323,725	502,257	5,655,390
Depreciation	947,616	845,102	189,924	94,036	2,076,678
Taxes	50,563	44,823	-	-	95,386
Total operating expenses	3,677,802	3,039,710	513,649	596,293	7,827,454
Operating income (loss)	501,364	1,079,284	606,676	(208,103)	1,979,221
Nonoperating Revenues (Expenses)					
Gain (loss) of disposal of capital asset	-	-	(6,626)	-	(6,626)
Intergovernmental grants and aids	605,369	50,666	-	158,075	814,110
Interest on lease	6,944	-	-	-	6,944
Investment income	138,733	210,055	25,439	12,569	386,796
Interest and amortization expense	(184,222)	(237,549)	(33,275)	-	(455,046)
Total nonoperating revenues (expenses)	566,824	23,172	(14,462)	170,644	746,178
Income before transfers	1,068,188	1,102,456	592,214	(37,459)	2,725,399
Transfers out	(454,672)	(11,867)	(5,894)	(29,820)	(502,253)
Change in net position	613,516	1,090,589	586,320	(67,279)	2,223,146
Net Position, Beginning	9,873,010	12,577,634	7,760,575	1,537,549	31,748,768
Net Position, Ending	<u>\$ 10,486,526</u>	<u>\$ 13,668,223</u>	<u>\$ 8,346,895</u>	<u>\$ 1,470,270</u>	<u>\$ 33,971,914</u>
					<u>\$ 1,444,256</u>

See notes to financial statements

City of South Milwaukee

Statement of Cash Flows -
Proprietary Funds
Year Ended December 31, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Total	Internal Service Fund
Cash Flows From Operating Activities						
Received from customers	\$ 2,783,533	\$ 3,990,609	\$ 1,157,566	\$ 379,287	\$ 8,310,995	\$ 607,143
Received (paid) from/(to) municipality	965,136	-	-	-	965,136	-
Paid to vendors for goods and services	(1,788,043)	(1,758,386)	(220,895)	(485,798)	(4,253,122)	(547,349)
Paid to employees for services	(670,957)	(560,783)	(111,877)	-	(1,343,617)	-
Net cash flows from operating activities	1,289,669	1,671,440	824,794	(106,511)	3,679,392	59,794
Cash Flows From Noncapital Financing Activities						
Transfers	-	-	(5,894)	(29,820)	(35,714)	-
Received on long-term advances	-	50,666	-	-	50,666	-
Received (paid) from/(to) municipality	(454,672)	(11,867)	-	-	(466,539)	-
Net cash flows from noncapital financing activities	(454,672)	38,799	(5,894)	(29,820)	(451,587)	-
Cash Flows From Capital and Related Financing Activities						
Debt retired	(975,453)	(881,120)	(378,214)	-	(2,234,787)	-
Interest paid and fees	(208,860)	(255,477)	(45,067)	-	(509,404)	-
Acquisition and construction of capital assets	(647,191)	(484,995)	(292,404)	(18,556)	(1,443,146)	-
Intergovernmental grants and aids	-	-	-	158,075	158,075	9,500
Grant received	605,369	-	-	-	605,369	-
Proceeds from debt issued	-	262,746	-	-	262,746	-
Net cash flows from capital and related financing activities	(1,226,135)	(1,358,846)	(715,685)	139,519	(3,161,147)	9,500
Cash Flows From Investing Activities						
Interest on lease	6,944	-	-	-	6,944	-
Investment income	138,736	210,053	25,439	12,569	386,797	-
Net cash flows from investing activities	145,680	210,053	25,439	12,569	393,741	-
Net change in cash and cash equivalents	(245,458)	561,446	128,654	15,757	460,399	69,294
Cash and Cash Equivalents, Beginning	2,500,239	4,854,496	1,361,507	353,231	9,069,473	1,373,982
Cash and Cash Equivalents, Ending	<u>\$ 2,254,781</u>	<u>\$ 5,415,942</u>	<u>\$ 1,490,161</u>	<u>\$ 368,988</u>	<u>\$ 9,529,872</u>	<u>\$ 1,443,276</u>

See notes to financial statements

City of South Milwaukee

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2023

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities						
Operating income (loss)	\$ 501,364	\$ 1,079,284	\$ 606,677	\$ (208,103)	\$ 1,979,222	\$ 29,867
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation	947,616	845,102	189,924	100,190	2,082,832	-
Depreciation charged to other utilities	40,848	(40,848)	-	-	-	-
Changes in assets, deferred outflows/inflows and liabilities:						
Accounts receivable	141,761	(120)	-	(8,903)	132,738	32,785
Due from other funds	(613,105)	(58,488)	(22,781)	-	(694,374)	-
Inventories	(15,336)	-	-	3,349	(11,987)	-
Prepaid items	-	-	-	174	174	-
Accrued liabilities	(2,748)	(6,540)	-	-	(9,288)	-
Accounts payable	49,729	(277,134)	(9,899)	-	(237,304)	-
Due to other funds	31,211	-	-	1,618	32,829	-
OPEB / pension related deferrals, assets and liabilities	208,329	127,032	60,022	15,227	410,610	-
Other deferred inflows or resources	-	-	-	(410)	(410)	-
Other current liabilities	-	3,152	851	(9,653)	(5,650)	(2,858)
Net cash flows from operating activities	<u>\$ 1,289,669</u>	<u>\$ 1,671,440</u>	<u>\$ 824,794</u>	<u>\$ (106,511)</u>	<u>\$ 3,679,392</u>	<u>\$ 59,794</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds						
Cash and investments, statement of net position	\$ 1,948,683	\$ 3,354,449	\$ 1,490,161	\$ 368,988	\$ 7,162,281	\$ 1,443,276
Restricted cash and investments, statement of net position	<u>306,098</u>	<u>2,061,493</u>	<u>-</u>	<u>-</u>	<u>2,367,591</u>	<u>-</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,254,781</u>	<u>\$ 5,415,942</u>	<u>\$ 1,490,161</u>	<u>\$ 368,988</u>	<u>\$ 9,529,872</u>	<u>\$ 1,443,276</u>
Noncash Capital and Related Financing Activities						
Amortization	<u>\$ 10,456</u>	<u>\$ 8,115</u>	<u>\$ 8,806</u>	<u>\$ -</u>	<u>\$ 27,377</u>	<u>\$ -</u>

See notes to financial statements

City of South Milwaukee

Statement of Fiduciary Net Position -

Fiduciary Fund

December 31, 2023

	<u>Custodial Fund</u>
	<u>Tax</u>
	<u>Collection</u>
	<u>Fund</u>
Assets	
Cash and investments	\$ 13,239,885
Taxes receivable	<u>8,066,830</u>
Total assets	<u>21,306,715</u>
Liabilities	
Due to other taxing units	<u>21,306,715</u>
Total liabilities	<u>21,306,715</u>
Net position	<u>\$ -</u>

See notes to financial statements

City of South Milwaukee

Statement of Changes in Fiduciary Net Position -

Fiduciary Fund

Year Ended December 31, 2023

	<u>Custodial Fund</u>
	<u>Tax</u>
	<u>Collection</u>
	<u>Fund</u>
Additions	
Tax collections	<u>\$ 21,320,446</u>
Expenses	
Payments to overlying districts	<u>21,320,446</u>
Change in fiduciary net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

See notes to financial statements

City of South Milwaukee

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December 31, 2023

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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

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.

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.

Special Revenue Fund - Bucyrus is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the various programs.

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	

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.

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.

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.

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, 2023, 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 - 2023 tax roll:

Lien date and levy date	December 2023
Tax bills mailed	December 2023
Payment in full, or	January 31, 2024
First installment due	January 31, 2024
Second installment due	April 30, 2024
Third installment due	July 31, 2024
Fourth installment due	August 15, 2024
Personal property taxes in full	January 31, 2024
Tax sale - 2023 delinquent real estate taxes	October 2026

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.

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 (including right-to-use lease assets), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 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.

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

Lease assets are typically amortized over the lease term.

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 assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

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. Nonunion 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.

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 assets 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.
- 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 \$4,909,374.

See Note 4 for further information.

Pension

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; and
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

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 following:

- Net OPEB Liability;
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits; and
- OPEB Expense (Revenue).

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.

City of South Milwaukee

Notes to Financial Statements
December 31, 2023

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% 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, 2023

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	2,851,018
Buildings	12,986,830
Machinery & equipment	11,130,921
Library book collection	695,540
Infrastructure	24,205,738
Intangibles, easements	33,758
Less accumulated depreciation	<u>(26,323,730)</u>
Combined adjustment for capital assets	<u>\$ 28,568,664</u>

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	\$ 32,297,683
Premium on debt issued	662,600
Accumulated sick pay benefits	969,318
Accrued interest payable	232,783
Net and total OPEB liability	<u>25,306,035</u>
Combined adjustment for long-term liabilities	<u>\$ 59,468,419</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2023

3. Stewardship, Compliance and Accountability

Budgetary Information

A budget has been adopted for all funds except the following: Special Revenue Funds: Tax Incremental Districts, Community Development Block Grant 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

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Special Revenue Fund - Health Consortium	\$ 167,289	\$ 171,239	\$ 3,950
Special Revenue Fund - City Sealer	4,922	7,054	2,132
Special Revenue Fund - Police	-	29,871	29,871
Special Revenue Fund - Health	384,685	429,977	45,292
Special Revenue Fund - Fire	11,874	96,184	84,310
Special Revenue Fund - Economic Development Fund	66,976	84,255	17,279

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 0%. 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

Notes to Financial Statements

December 31, 2023

4. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Demand deposits	\$ 6,687,286	\$ 5,450,571	Custodial credit Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
Certificates of deposit, negotiable	2,749,134	2,749,134	Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
U.S. agencies	3,516,255	3,516,255	Credit
LGIP	60,522,591	60,522,591	N/A
Petty cash	<u>21,090</u>	<u>-</u>	
Total deposits and investments	<u>\$ 73,496,356</u>	<u>\$ 72,238,551</u>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 57,888,880		
Restricted cash and investments	2,367,591		
Per statement of fiduciary net position, custodial fund:			
Cash and investments	<u>13,239,885</u>		
Total deposits and investments	<u>\$ 73,496,356</u>		

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

Notes to Financial Statements
December 31, 2023

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

Investment Type	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Certificates of deposits, negotiable	\$ -	\$ 2,749,134	\$ -	\$ 2,749,134
U.S. Agencies	-	3,516,255	-	3,516,255
Total	<u>\$ -</u>	<u>\$ 6,265,389</u>	<u>\$ -</u>	<u>\$ 6,265,389</u>

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, 2023, \$196,590 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 196,590
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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	\$ 2,749,134
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U.S. Agencies

Neither insured nor registered and held by counterparty	\$ 3,516,255
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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

Notes to Financial Statements

December 31, 2023

As of December 31, 2023, the City's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Certificates of Deposit, Negotiable	n/a	n/a
U.S. 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, 2023, the City's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Net Position
FHLB	U.S. Agency Bonds	22.67 %

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, 2023, 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	\$ 2,749,134	\$ 1,224,948	\$ 1,524,186	\$ -
U.S. agencies	3,516,255	1,241,661	2,274,594	-
Total	<u>\$ 6,265,389</u>	<u>\$ 2,466,609</u>	<u>\$ 3,798,780</u>	<u>\$ -</u>

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2023, the City held \$2,749,134 in Certificates of Deposits, negotiable and \$3,516,255 in U.S. 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 maturing in 2027.

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

City of South Milwaukee

Notes to Financial Statements
December 31, 2023

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 \$3,573 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 \$36,585 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	\$ 15,495,604	\$ -
Lease receivable	1,058,765	-
Special assessments not yet due	-	36,154
Grant drawdowns prior to meeting all eligibility requirements	<u>1,029,147</u>	<u>-</u>
Total unearned/unavailable revenue for governmental funds	<u>\$ 17,583,516</u>	<u>\$ 36,154</u>
Unearned revenue included in liabilities	\$ 1,029,147	
Unearned revenue included in deferred inflows	<u>16,554,369</u>	
Total unearned revenue for governmental funds	<u>\$ 17,583,516</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	\$ 1,180,347
Lease receivable	<u>87,766</u>
Total unearned revenue for proprietary funds	<u>\$ 1,268,113</u>

Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

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

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.

Following is a list of restricted assets at December 31, 2023:

	Restricted Assets	Liabilities Payable From Restricted Assets	Restricted Net Position
Debt service reserve	\$ 479,088	\$ 43,041	\$ 436,047
Equipment replacement account	1,582,405	-	1,582,405
Construction account	145,890	-	n/a
Redemption account	160,208	2,396	157,812
Total	<u>\$ 2,367,591</u>	<u>\$ 45,437</u>	<u>\$ 2,176,264</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2023

Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,988,589	\$ -	\$ -	\$ 2,988,589
Intangible assets	33,758	-	-	33,758
Construction in progress	2,514,436	336,582	-	2,851,018
Total capital assets not being depreciated	5,536,783	336,582	-	5,873,365
Capital assets being depreciated:				
Buildings	12,986,830	-	-	12,986,830
Machinery & equipment	10,277,195	1,309,275	455,549	11,130,921
Library book collection	737,672	29,909	72,041	695,540
Roads	19,510,026	1,705,386	274,144	20,941,268
Bridges	229,534	-	-	229,534
Sidewalks	3,024,416	42,494	31,974	3,034,936
Intangible assets	104,775	-	104,775	-
Total capital assets being depreciated	46,870,448	3,087,064	938,483	49,019,029
Total capital assets	52,407,231	3,423,646	938,483	54,892,394
Less accumulated depreciation for:				
Buildings	(5,446,725)	(272,343)	-	(5,719,068)
Machinery & equipment	(7,220,549)	(578,719)	455,549	(7,343,719)
Library book collection	(439,049)	(69,554)	72,041	(436,562)
Roads	(11,546,033)	(745,774)	226,222	(12,065,585)
Bridges	(51,039)	(4,591)	-	(55,630)
Sidewalks	(663,020)	(58,836)	18,690	(703,166)
Intangible assets	(57,626)	(10,477)	68,103	-
Total accumulated depreciation	(25,424,041)	(1,740,294)	840,605	(26,323,730)
Net capital assets being depreciated	21,446,407	1,346,770	97,878	22,695,299
Total governmental activities capital assets, net as reported in the statement of net position	<u>\$ 26,983,190</u>	<u>\$ 1,683,352</u>	<u>\$ 97,878</u>	<u>\$ 28,568,664</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 266,473
Public safety	278,436
Public works	1,111,639
Library	83,746
Total governmental activities depreciation / amortization expense	<u>\$ 1,740,294</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 16,596	\$ -	\$ -	\$ 16,596
Construction in progress	3,992,107	245,162	4,217,529	19,740
Intangible asset	110,000	-	-	110,000
Total capital assets not being depreciated	<u>4,118,703</u>	<u>245,162</u>	<u>4,217,529</u>	<u>146,336</u>
Capital assets being depreciated:				
Structures and improvements	13,867,064	201,371	8,000	14,060,435
Machinery and equipment	66,140	-	-	66,140
Water distribution system	12,835,894	-	-	12,835,894
Sewer collection system	16,408,650	4,217,529	244,415	20,381,764
Sewer machinery and equipment	7,874,637	51,825	-	7,926,462
Water machinery and equipment	18,342,360	580,836	23,152	18,900,044
Stormwater equipment	344,391	-	-	344,391
Stormwater system	12,118,856	301,960	35,227	12,385,589
Total capital assets being depreciated	<u>81,857,992</u>	<u>5,353,521</u>	<u>310,794</u>	<u>86,900,719</u>
Total capital assets	<u>85,976,695</u>	<u>5,598,683</u>	<u>4,528,323</u>	<u>87,047,055</u>
Less accumulated depreciation for:				
Structures and improvements	(7,056,553)	(204,582)	8,000	(7,253,135)
Machinery and equipment	(53,774)	(3,077)	-	(56,851)
Water distribution system	(5,760,592)	(517,805)	-	(6,278,397)
Sewer collection system	(7,586,137)	(443,429)	244,415	(7,785,151)
Sewer machinery and equipment	(7,028,419)	(247,201)	-	(7,275,620)
Water machinery and equipment	(6,808,789)	(470,665)	23,152	(7,256,302)
Stormwater equipment	(57,284)	(22,523)	-	(79,807)
Stormwater system	(3,366,862)	(167,401)	28,601	(3,505,662)
Total accumulated depreciation	<u>(37,718,410)</u>	<u>(2,076,683)</u>	<u>304,168</u>	<u>(39,490,925)</u>
Net capital assets being depreciated	<u>44,139,582</u>	<u>3,276,838</u>	<u>6,626</u>	<u>47,409,794</u>
Business-type activities capital assets, net as reported in the statement of net position	<u>\$ 48,258,285</u>	<u>\$ 3,522,000</u>	<u>\$ 4,224,155</u>	<u>\$ 47,556,130</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 947,616
Sewer	845,102
Stormwater	189,924
Parkcrest Housing Authority	<u>94,036</u>
Total business-type activities , net as reported in the statement of net position expense	<u>\$ 2,076,678</u>

City of South Milwaukee

Notes to Financial Statements
December 31, 2023

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue, Library Fund	\$ 15,341
General Fund	Special Revenue, Parkcrest	30,148
General Fund	Water Utility	74,278
General Fund	Sewer Utility	61,114
	Special Revenue, Community	
General Fund	Development Block Grant	14,072
	Special Revenue - American Rescue	
Water Utility	Plan Act	605,369
Water Utility	Sewer Utility	12,740
Sewer Utility	Water Utility	<u>584,187</u>
Total, fund financial statements		1,397,249
Less fund eliminations		<u>(957,420)</u>
Total internal balances, government-wide statement of net position		<u>\$ 439,829</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, 2023

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Special Revenue, CDBG Fund	\$ 465	Cover costs
	Park Crest Housing Authority	29,820	Payment in lieu of taxes
	Water Fund	454,672	Tax equivalent
	Special Revenue, Bucyrus Fund	113,534	Reimbursement for expenses
	Special Revenue, ARPA Fund	175,000	Reimbursement for expenses
Special Revenue, Economic Development	General Fund	250,000	
Special Revenue, City Sealer Fund	General Fund	32	Eliminate negative cash
Special Revenue, Library Fund	General Fund	667,120	Aid in operations
Special Revenue, Health Consortium Fund	General Fund	17,400	Budgeted appropriation
Special Revenue, School Liaison Police Program Fund	General Fund	163,227	Budgeted appropriation
Special Revenue, General Government Fund	General Fund	51,077	Cover costs
	Capital Projects Fund	15,000	Cover costs
Special Revenue, Economic Development Fund	Tax Incremental District #1	39,508	Cover costs
	Special Revenue, Bucyrus Fund	49,922	Cover costs
Special Revenue, Bucyrus Funds	General Government Fund	10,000	Cover costs
Debt Service Fund	Special Revenue Fund, Tax Incremental District #1	394,151	Debt service
	Special Revenue Fund, Tax Incremental District #3	754,168	Debt service
	Capital Projects Fund, Tax Incremental District #5	328,563	Debt service
Capital Projects, Tax Incremental District #2	Special Revenue Fund, Tax Incremental District #2	700,571	Eliminate deficit fund balance
Capital Projects, Tax Incremental District #5	Capital Projects, Tax Incremental District #2	688,706	Increment transfer from donor TID
Capital Projects, Public Works Fund	Stormwater Fund	5,894	Cover costs
	Special Revenue, Economic Development Fund	415	Cover costs
Capital Projects, Equipment Fund	Capital Projects, Public Works Fund	171,397	Cover costs
General fund	Sewer Fund	<u>11,867</u>	Payment in lieu of taxes
Total, fund financial statements		5,092,509	
Less fund eliminations		<u>(4,590,256)</u>	
Total transfers, government-wide statement of activities		<u>\$ 502,253</u>	

City of South Milwaukee

Notes to Financial Statements December 31, 2023

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.

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 35,432,000	\$ -	\$ 3,134,315	\$ 32,297,685	\$ 3,833,700
Premium on debt issued	802,860	-	140,260	662,600	-
Subtotal	<u>36,234,860</u>	<u>-</u>	<u>3,274,575</u>	<u>32,960,285</u>	<u>3,833,700</u>
Other liabilities:					
Net Pension Liability	-	4,483,341	-	4,483,341	-
Accumulated sick pay benefits	979,279	614,655	624,618	969,316	69,694
Net OPEB liability, LRLIF	894,668	-	327,605	567,063	-
Total OPEB liability, health insurance	<u>22,201,700</u>	<u>2,537,272</u>	<u>-</u>	<u>24,738,972</u>	<u>-</u>
Total other liabilities	<u>24,075,647</u>	<u>7,635,268</u>	<u>952,223</u>	<u>30,758,692</u>	<u>69,694</u>
Total governmental activities long-term liabilities, excluding lease liabilities	<u>\$ 60,310,507</u>	<u>\$ 7,635,268</u>	<u>\$ 4,226,798</u>	<u>\$ 63,718,977</u>	<u>\$ 3,903,394</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 4,668,000	\$ -	\$ 815,685	\$ 3,852,315	\$ 791,300
Revenue bonds	18,356,944	262,746	1,419,103	17,200,587	1,459,392
(Discounts)/Premiums:					
Premium on debt issued	<u>145,889</u>	<u>-</u>	<u>27,377</u>	<u>118,512</u>	<u>-</u>
Total bonds and notes payable	<u>23,170,833</u>	<u>262,746</u>	<u>2,262,165</u>	<u>21,171,414</u>	<u>2,250,692</u>
Other liabilities:					
Net pension liability	-	382,076	-	382,076	-
Accumulated sick pay benefits	101,336	-	17,822	83,514	19,842
Net OPEB liability, LRLIF	197,556	-	48,013	149,543	-
Total OPEB liability, health insurance	<u>3,444,507</u>	<u>384,493</u>	<u>-</u>	<u>3,829,000</u>	<u>-</u>
Total other liabilities	<u>3,743,399</u>	<u>766,569</u>	<u>65,835</u>	<u>4,444,133</u>	<u>19,842</u>
Total business-type activities long-term liabilities, excluding lease liabilities	<u>\$ 26,914,232</u>	<u>\$ 1,029,315</u>	<u>\$ 2,328,000</u>	<u>\$ 25,615,547</u>	<u>\$ 2,270,534</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2023

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 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2023 was \$92,169,680. Total general obligation debt outstanding at year-end was \$36,150,000.

Governmental Activities					Balance
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	December 31, 2023
GO Refunding Bond	05/01/12	10/01/24	3.00-3.38%	\$ 1,500,000	\$ 550,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	5,477,000	5,167,985
GO Refunding Bond	08/01/18	10/01/26	2.35-4.00	2,760,000	1,175,000
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	6,115,000	4,535,000
GO Promissory Note	05/06/20	10/01/30	1.75-3	6,930,000	6,905,000
GO Promissory Note	04/01/21	04/01/31	0.3-1.85	5,440,000	4,940,000
GO Promissory Note	05/04/22	10/01/32	4.00	9,115,000	9,024,700
Total governmental activities, general obligation debt					<u>\$ 32,297,685</u>

Business-Type Activities					Balance
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	December 31, 2023
GO Promissory Note	03/15/16	10/01/25	2.00-4.00%	\$ 1,538,000	\$ 461,645
GO Promissory Note	05/04/22	10/01/32	4.00	605,000	599,000
Total Water Utility					<u>1,060,645</u>
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	460,000	369,123
GO Promissory Note	05/06/20	10/01/30	1.75-3	740,000	515,000
GO Promissory Note	05/04/22	10/01/32	4.00	375,000	371,300
Total Sewer Utility					<u>1,255,423</u>
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	500,000	401,247
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	155,000
GO Promissory Note	05/06/20	10/01/30	1.75-3	1,130,000	980,000
Total Stormwater Utility					<u>1,536,247</u>
Total business-type activities, general obligation debt					<u>\$ 3,852,315</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2023

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-Type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	2,790,750	405,063	249,250	46,273
2029-2032	13,726,550	898,914	1,308,450	106,213
Total	<u>\$ 32,297,685</u>	<u>\$ 3,801,358</u>	<u>\$ 3,852,315</u>	<u>\$ 412,727</u>

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 \$19,920,235. Principal and interest paid for the current year and total customer net revenues were \$1,784,838 and \$3,729,098, respectively.

Revenue debt payable at December 31, 2023, 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, 2023</u>
<u>Sewer Utility</u>					
	06/11/08	05/01/28	2.37%	\$ 1,431,165	\$ 423,231
	06/26/13	05/01/33	2.63	5,412,363	3,068,581
	08/28/19	05/01/39	1.76	3,284,958	2,716,327
	11/09/22	05/01/42	2.15	3,564,097	3,427,776
				Total Sewer Utility	<u>9,635,915</u>
<u>Water Utility</u>					
	04/23/08	05/01/27	2.37%	7,743,344	2,013,113
	06/27/18	05/01/38	1.87	6,789,348	5,551,559
				Total Water Utility	<u>7,564,672</u>
Total business-type activities, revenue debt					<u>\$ 17,200,587</u>

City of South Milwaukee

Notes to Financial Statements
December 31, 2023

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-Type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,459,392	\$ 347,035
2025	1,491,787	314,359
2026	1,524,913	280,858
2027	1,558,790	246,600
2028	1,060,048	217,874
2029-2033	5,176,930	871,130
2034-2038	3,895,153	374,391
2039-2042	1,033,574	67,401
Total	<u>\$ 17,200,587</u>	<u>\$ 2,719,648</u>

The City's outstanding revenue bonds from direct borrowings and/or direct placements related to business type-activities of \$17,200,587 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 liability, net pension liability and net OPEB liability are not included in the debt service requirement schedules. The vested compensated absences, total OPEB liability, net pension liability and net OPEB liability 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, 2023, 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, 2023

Lease Disclosures

Lessor - Lease Receivables

Governmental Activities				Receivable Balance December 31, 2023
Lease Receivables Description	Date of Inception	Final Maturity	Interest Rates	
South Milwaukee Industrial Museum, LLC	08/01/21	07/31/41	4.0%	\$ 66,960
Skyline Catering, Inc.	08/01/21	12/31/30	3.0	415,200
South Milwaukee Yacht Club	01/01/04	12/31/28	3.5	102,747
T-Mobile	04/15/08	12/31/33	3.5	357,752
Charter Communications	05/01/13	12/31/32	3.5	116,106
Total governmental activities				<u>\$ 1,058,765</u>
Business-Type Activities				Receivable Balance December 31, 2023
Lease Receivables Description	Date of Inception	Final Maturity	Interest Rates	
Voicestream PCS II Corp - Water Tower Communications	08/01/00	07/31/25	5.0%	\$ 87,766
Total business-type activities				<u>\$ 87,766</u>

The City recognized \$51,969 of lease revenue during the fiscal year.

The City recognized \$46,370 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, 2023, includes the following:

Governmental Activities

Net investment in capital assets:	
Land	\$ 2,988,589
Construction in progress	2,851,018
Intangible assets	33,758
Other capital assets, net of accumulated depreciation	22,695,299
Less related long-term debt outstanding (net of unspent proceeds of debt)	<u>(26,541,221)</u>
Total net investment in capital assets	<u>\$ 2,027,443</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2023

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2023, include the following:

Nonspendable

Major Funds:

General Fund:

Delinquent personal property taxes	\$ 3,573
Insurance contingencies	<u>505,940</u>

Total	<u><u>\$ 509,513</u></u>
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Restricted

Major Funds:

Special Revenue Fund, Tax Incremental District Funds	\$ 1,093,259
Special Revenue Fund, American Rescue Plan Act	134,199
Capital Projects Fund, Public works projects	5,412,835
Capital Projects Fund, TID No. 5	5,830,384
Debt Service	1,051,767
Special Revenue Fund, Bucyrus	<u>7,974,820</u>

Total	<u><u>\$ 21,497,264</u></u>
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Nonmajor Funds:

Special Revenue Funds:

Police	\$ 88,640
Library	<u>352,503</u>

Subtotal	<u>441,143</u>
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Capital Project Funds:

Special Assessment and Interest	317,371
TID #1	418,090
TID #3	<u>665,168</u>

Subtotal	<u>1,400,629</u>
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Total	<u><u>\$ 23,339,036</u></u>
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Committed

Major Funds:

General Fund:

Stabilization arrangement	\$ 4,909,374
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Capital Projects Fund:

Public works projects	<u>2,522,010</u>
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Subtotal	<u>7,431,384</u>
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City of South Milwaukee

Notes to Financial Statements

December 31, 2023

Nonmajor Funds:

Special Revenue Funds:

Recycling program	\$ 572,662
Paramedic program	2,391,058
General government	173,708
School Liaison Police Program	159,347
Health	923,948
Fire	48,562
Referendum officer	473,477
Health consortium	<u>52,556</u>

Subtotal 4,795,318

Total \$ 12,226,702

Assigned

Major Funds:

General Fund:

Equipment acquisitions	\$ 790,353
Insurance reserve	637,500
OPEB	200,000
Projected retirements	<u>250,000</u>

Subtotal 1,877,853

Nonmajor Fund:

Special Revenue Fund, Economic Development	<u>1,020,225</u>
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Subtotal \$ 2,898,078

Unassigned

Business-Type Activities

Net investment in capital assets:

Land	\$ 16,596
Construction in progress	19,740
Intangible asset	110,000
Other capital assets, net of accumulated depreciation	47,409,794
Less long-term debt outstanding	(21,052,902)
Plus unspent capital related debt proceeds	145,887
Less unamortized debt premium	<u>(118,512)</u>

Total net investment in capital assets \$ 26,530,603

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.

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.

Postretirement Adjustments

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

Year	Core Fund Adjustment %	Variable Fund Adjustment %
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
2022	7.4	15.0

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 \$1,072,857 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2023 are:

Employee Category	Employee	Employer
General (Executives and Elected Officials)	6.50 %	6.50 %
Protective with Social Security	6.50	12.00
Protective without Social Security	6.50	16.40

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

At December 31, 2023, the City reported a liability of \$4,865,417 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. 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 liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the City's proportion was 0.09081432%, which was a decrease of 0.00137550% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the City recognized pension expense (revenue) of \$2,134,803.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 7,745,426	\$ 10,175,750
Changes in assumptions	956,288	-
Net differences between projected and actual earnings on pension plan investments	8,261,300	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,765	1,777
Employer contributions subsequent to the measurement date	<u>1,244,563</u>	<u>-</u>
Total	<u>\$ 18,215,342</u>	<u>\$ 10,177,527</u>

\$1,244,563 reported as deferred outflows of resources 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2024	\$ 282,678
2025	1,406,816
2026	1,442,873
2027	3,660,885

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability (Asset):	December 31, 2022
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
Postretirement Adjustments*:	1.7%

* No postretirement 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 postretirement 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. The Total Pension Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 actuarial valuation.

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:

Asset Allocation Targets and Expected Returns* as of December 31, 2022

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %**
Public Equity	48	7.6	5
Public Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6
Private Equity/Debt	15	9.6	6.9
Total Core Fund***	115	7.4	4.8
Variable Fund Asset			
U.S. Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	100	7.7	5.1

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

** New England Pension Consultants' Long-Term U.S. 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%.

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (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, 2022. 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:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
City's proportionate share of the net pension liability (asset)	\$ 46,140,500	\$ 4,865,417	\$ (2,894,768)

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. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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.

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, 2023. A total liability of approximately \$73,385 at December 31, 2023, was recorded as claims payable in the insurance internal service fund. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2022	\$ 75,388	\$ 496,362	\$ 494,380	\$ 77,370
2023	77,370	461,908	465,893	73,385

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.

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, 2023, 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 \$28,567,972 was measured as of December 31, 2023, 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	1.51
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 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

Notes to Financial Statements
December 31, 2023

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 20X5-April 30, 20X7.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at January 1, 2023	<u>\$ 25,646,207</u>
Changes for the year:	
Service cost	1,636,675
Interest	1,014,658
Differences between expected and actual experience	(128,220)
Changes in assumptions or other inputs	1,469,056
Benefit payments	<u>(1,070,404)</u>
Net changes	<u>2,921,765</u>
Balances at December 31, 2023	<u><u>\$ 28,567,972</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.72% in 2022 to 3.26% in 2023.

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 (2.3%) or 1-percentage-point higher (4.3%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 31,915,461	\$ 28,567,972	\$ 25,660,657

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>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 25,463,948	\$ 28,567,972	\$ 32,092,214

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

For the year ended December 31, 2023, the City recognized OPEB expense of \$2,294,632. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 786,588	\$ 2,323,940
Changes of assumptions or other inputs	4,499,967	5,464,462
Total	<u>\$ 5,286,555</u>	<u>\$ 7,788,402</u>

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>Amount</u>
2024	\$ (356,876)
2025	(356,876)
2026	(356,875)
2027	(127,212)
2028	(488,067)
Thereafter	<u>(815,941)</u>
Total	<u>\$ (2,501,847)</u>

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 postemployment 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.

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 postretirement 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, 2023 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Postretirement Coverage	40% of member contribution
25% Postretirement 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:

<u>Life Insurance Member Contribution Rates* for the Plan Year</u>		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
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 \$3,729 in contributions from the employer.

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

At December 31, 2023, the City reported a liability of \$716,606 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022. 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, 2022, the City's proportion was 0.18589400%, which was an increase of 0.00109600% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the City recognized OPEB expense of \$56,266.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,312
Net differences between projected and actual earnings on plan investments	13,289	-
Changes in actuarial assumptions	254,449	418,046
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,093	55,194
Employer contributions subsequent to the measurement date	<u>7,955</u>	<u>-</u>
Total	<u><u>\$ 283,786</u></u>	<u><u>\$ 542,552</u></u>

\$7,955 reported as deferred outflows of resources 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 (asset) in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2024	\$ (24,683)
2025	(30,294)
2026	(19,846)
2027	(52,819)
2028	(75,800)
Thereafter	(63,279)

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, 2022
Measurement Date of Net OPEB Liability (Asset)	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020. Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20-Year Tax-Exempt Municipal Bond Yield*	3.72%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.76%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.10% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO index

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. The Total OPEB Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 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, 2022**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interim Credit	50.00%	2.45%
U.S. Mortgages	Bloomberg U.S. MBS	50.00	2.83
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 remained unchanged from the prior year at 2.30%.

Single Discount Rate

A single discount rate of 3.76% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. 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 3.76%, 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 (2.76%) or 1-percentage-point higher (4.76%) than the current rate:

	1% Decrease to Discount Rate (2.76%)	Current Discount Rate (3.76%)	1% Increase to Discount Rate (4.76%)
City's proportionate share of the net OPEB liability (asset)	\$ 965,588	\$ 716,606	\$ 510,984

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*

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

Tax Incremental Financing District (TID)

The City has four 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 27 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, 2023

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 8,715,828	\$ 8,713,454	\$ (2,374)
Intergovernmental	4,597,696	4,623,279	25,583
Licenses and permits	352,000	458,827	106,827
Fines, forfeitures and penalties	285,000	275,550	(9,450)
Public charges for services	1,046,352	845,699	(200,653)
Interdepartmental revenues	711,962	800,806	88,844
Investment income	130,000	1,431,935	1,301,935
Miscellaneous	113,351	125,834	12,483
Total revenues	15,952,189	17,275,384	1,323,195
Expenditures			
Current:			
General government	3,234,081	3,134,246	99,835
Public safety	7,649,365	7,580,220	69,145
Public works	3,938,667	3,735,109	203,558
Health and sanitation	611,089	576,019	35,070
Parks and recreation	207,118	170,575	36,543
Conservation and development	284,845	295,926	(11,081)
Other	40,000	9,699	30,301
Total expenditures	15,965,165	15,501,794	463,371
Excess (deficiency) of revenues over (under) expenditures	(12,976)	1,773,590	1,786,566
Other Financing Sources (Uses)			
Transfer in	686,844	785,358	98,514
Transfer out	(1,194,609)	(1,148,857)	45,752
Net change in fund balance	\$ (520,741)	1,410,091	\$ 1,930,832
Adjustments to Generally Accepted Accounting Principles Basis			
Revenue credited to designated funds		176,972	
Expenditures credited to designated funds		(393,956)	
Net change in fund balance, generally accepted accounting principles basis		1,193,107	
Fund Balances, Beginning		6,103,633	
Fund Balances, Ending		\$ 7,296,740	

See notes to required supplementary information

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

Wisconsin Retirement System

Year Ended December 31, 2023

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)	10,393,490	71.49%	106.02 %
12/31/22	0.090814320 %	4,865,417	10,709,676	45.43%	95.72 %

Schedule of Employer Contributions - Wisconsin Retirement System

Year Ended December 31, 2023

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 %
12/31/23	1,244,563	1,244,563	-	11,224,995	11.09 %

See notes to required supplementary information

City of South Milwaukee

Schedule of Changes in the Total OPEB Liability and Related Ratios -
Other Postemployment Benefits Liability - Health
Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 1,636,675	\$ 1,325,972	\$ 1,014,634	\$ 985,082	\$ 982,734	\$ 1,077,152
Interest	1,014,658	644,476	774,481	837,382	1,073,395	942,022
Differences between expected and actual experience	(128,220)	943,972	(171,396)	(2,938,405)	(1,018,415)	-
Changes of assumptions	1,469,056	(6,138,105)	2,238,542	-	2,603,282	-
Benefit payments	<u>(1,070,404)</u>	<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	2,921,765	(4,313,343)	2,810,963	(2,306,710)	2,594,909	632,555
Total OPEB Liability, Beginning	<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>	<u>26,227,833</u>
Total OPEB Liability, Ending	<u><u>\$ 28,567,972</u></u>	<u><u>\$ 25,646,207</u></u>	<u><u>\$ 29,959,550</u></u>	<u><u>\$ 27,148,587</u></u>	<u><u>\$ 29,455,297</u></u>	<u><u>\$ 26,860,388</u></u>
Covered-Employee Payroll	\$ 9,549,994	\$ 9,271,839	\$ 10,267,039	\$ 9,967,999	\$ 9,681,000	\$ 8,554,897
Total OPEB Liability as a Percentage of Covered-Employee Payroll	299.14%	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, 2023

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%
12/31/22	0.18589400%	716,606	10,038,000	7.14%	38.81%

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

Year Ended December, 2023

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%
12/31/23	7,955	7,955	-	11,224,995	0.07%

See notes to required supplementary information

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 postretirement 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 postretirement 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

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, 2023

	Special Revenue Funds								
	Library	Recycling	Paramedic	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government	Police
Assets									
Cash and investments	\$ 385,219	\$ 579,835	\$ 2,257,268	\$ 162,082	\$ -	\$ 51,826	\$ -	\$ 173,712	\$ 84,773
Receivables:									
Taxes	-	615,001	-	-	-	-	-	-	-
Accounts	-	-	175,653	-	14,072	6,100	-	-	3,867
Special assessments	-	-	-	-	-	-	-	-	-
Total assets	\$ 385,219	\$ 1,194,836	\$ 2,432,921	\$ 162,082	\$ 14,072	\$ 57,926	\$ -	\$ 173,712	\$ 88,640
Liabilities Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	\$ 17,375	\$ 7,050	\$ 9,902	\$ -	\$ -	\$ 280	\$ -	\$ 4	\$ -
Accrued payroll	-	123	31,961	2,735	-	5,090	223	-	-
Deposits	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Due to other funds	15,341	-	-	-	14,072	-	-	-	-
Total liabilities	32,716	7,173	41,863	2,735	14,072	5,370	223	4	-
Deferred Inflows of Resources									
Unearned revenues	-	615,001	-	-	-	-	-	-	-
Unavailable revenues	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	615,001	-	-	-	-	-	-	-
Fund Balances									
Restricted	352,503	-	-	-	-	-	-	-	88,640
Committed	-	572,662	2,391,058	159,347	-	52,556	-	173,708	-
Assigned	-	-	-	-	-	-	(223)	-	-
Total fund balances	352,503	572,662	2,391,058	159,347	-	52,556	(223)	173,708	88,640
Total liabilities, deferred inflows of resources and fund balances	\$ 385,219	\$ 1,194,836	\$ 2,432,921	\$ 162,082	\$ 14,072	\$ 57,926	\$ -	\$ 173,712	\$ 88,640

Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023

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City of South Milwaukee

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2023

	Special Revenue Funds								
	Library	Recycling	Paramedic	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government	Police
Revenues									
Taxes	\$ -	\$ -	\$ 760,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	17,562	81,607	53,590	73,435	85,500	22,200	1,075	8,651	21,783
Public charges for services	17,032	499,247	477,181	-	-	149,232	5,407	-	-
Public improvement revenues	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Miscellaneous	8,446	-	20	-	-	-	-	12,058	7,240
Total revenues	43,040	580,854	1,291,294	73,435	85,500	171,432	6,482	20,709	29,023
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	24,101	-
Public safety	-	-	1,294,586	222,371	-	-	-	2,355	28,581
Public works	-	568,296	-	-	-	-	7,054	-	-
Health and social services	-	-	-	-	85,500	171,239	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	-
Library	693,201	-	-	-	-	-	-	-	-
Capital outlay	29,909	-	-	-	-	-	-	-	1,290
Total expenditures	723,110	568,296	1,294,586	222,371	85,500	171,239	7,054	26,456	29,871
Excess (deficiency) of revenues over expenditures	(680,070)	12,558	(3,292)	(148,936)	-	193	(572)	(5,747)	(848)
Other Financing Sources (Uses)									
Transfer in	667,120	-	-	163,227	-	17,400	32	66,077	-
Transfer out	-	-	-	-	(465)	-	-	(10,000)	-
Total other financing sources (uses)	667,120	-	-	163,227	(465)	17,400	32	56,077	-
Net change in fund balances	(12,950)	12,558	(3,292)	14,291	(465)	17,593	(540)	50,330	(848)
Fund Balances, Beginning	365,453	560,104	2,394,350	145,056	465	34,963	317	123,378	89,488
Fund Balances, Ending	\$ 352,503	\$ 572,662	\$ 2,391,058	\$ 159,347	\$ -	\$ 52,556	\$ (223)	\$ 173,708	\$ 88,640

City of South Milwaukee

Combing Statement of Revenues, Expenditures and

Changes in Fund Balances -

Nonmajor Governmental Funds

Year Ended December 31, 2023

	Special Revenue Funds				Capital Projects Funds					
	Health	Fire	Referendum Officer	Economic Development	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Total Nonmajor Funds
Revenues										
Taxes	\$ -	\$ -	\$ 246,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,006,563
Intergovernmental	484,111	95,173	-	-	-	936	352,500	-	-	1,298,123
Public charges for services	-	-	-	-	-	-	-	-	-	1,148,099
Public improvement revenues	-	-	-	-	-	11,252	-	-	-	11,252
Investment income	-	-	-	-	23,650	20,343	54,245	-	83,226	181,464
Miscellaneous	195	-	-	70,176	2,010	-	-	-	-	100,145
Total revenues	484,306	95,173	246,060	70,176	25,660	32,531	406,745	-	83,226	3,745,646
Expenditures										
Current:										
General government	-	-	-	-	-	-	-	-	-	24,101
Public safety	-	96,184	203,823	-	-	-	-	-	-	1,847,900
Public works	-	-	-	-	-	-	-	-	-	575,350
Health and social services	429,977	-	-	-	-	-	-	-	-	686,716
Conservation and development	-	-	-	83,840	-	-	24,601	-	-	108,441
Library	-	-	-	-	-	-	-	-	-	693,201
Capital outlay	-	-	-	-	1,127,990	20,431	15,466	11,865	11,865	1,218,816
Total expenditures	429,977	96,184	203,823	83,840	1,127,990	20,431	40,067	11,865	11,865	5,154,525
Excess (deficiency) of revenues over expenditures	54,329	(1,011)	42,237	(13,664)	(1,102,330)	12,100	366,678	(11,865)	71,361	(1,408,879)
Other Financing Sources (Uses)										
Transfer in	-	-	-	339,430	171,397	-	-	700,571	-	2,125,254
Transfer out	-	-	-	(415)	-	-	(39,508)	(688,706)	-	(739,094)
Total other financing sources (uses)	-	-	-	339,015	171,397	-	(39,508)	11,865	-	1,386,160
Net change in fund balances	54,329	(1,011)	42,237	325,351	(930,933)	12,100	327,170	-	71,361	(22,719)
Fund Balances, Beginning	869,619	49,573	431,240	694,874	930,933	305,271	90,920	-	593,807	7,679,811
Fund Balances, Ending	\$ 923,948	\$ 48,562	\$ 473,477	\$ 1,020,225	\$ -	\$ 317,371	\$ 418,090	\$ -	\$ 665,168	\$ 7,657,092