



City of South Milwaukee

Financial Statements and
Supplementary Information

December 31, 2024

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, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (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, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is fluid and cursive, with "Baker Tilly" on the top line and "US, LLP" on the bottom line.

Milwaukee, Wisconsin
September 9, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2024
(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, 2024. 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 \$51.4 million (net position).

The government's total net position increased in total by \$7.3 million from 2023 to 2024.

As of the close of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$46.1 million, an increase of \$7.2 million in comparison with the prior year.

The long-term obligations for the City of South Milwaukee decreased by approximately \$463,652 for the governmental funds during the current fiscal year and by approximately \$2.4 million dollars for the business-type funds.

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, 2024
(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, conservation, 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 26 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, 2024
(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 are 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, 2024
(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 \$51.4 million at the close of the most recent fiscal year, as presented in the following table.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 66,796	\$ 59,337	\$ 15,388	\$ 13,450	\$ 82,184	\$ 72,787
Capital assets, net of depreciation	28,363	28,569	47,862	47,556	76,225	76,125
Total assets	95,159	87,906	63,250	61,006	158,409	148,912
Deferred outflows of resources	15,519	21,519	1,459	2,267	16,978	23,786
Current and other liabilities	2,472	2,563	509	359	2,981	2,922
Noncurrent liabilities	63,255	63,719	23,214	25,616	86,469	89,335
Total liabilities	65,727	66,282	23,723	25,975	89,450	92,257
Deferred inflows of resources	31,742	33,005	2,789	3,326	34,531	36,331
Net position (Deficit)						
Net investment in capital assets	4,332	2,027	27,671	26,531	32,003	28,558
Restricted	18,402	17,693	2,174	2,176	20,576	19,869
Unrestricted (deficit)	(9,527)	(9,582)	8,352	5,265	(1,175)	(4,317)
Total net position (deficit)	\$ 13,207	\$ 10,138	\$ 38,197	\$ 33,972	\$ 51,404	\$ 44,110

The City of South Milwaukee's governmental activities net position includes \$4,332,342 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 \$3.1 million.

Business-Type Activities

Business-type activities increased the net position by \$4.2 million.

City of South Milwaukee

Management's Discussion and Analysis
 December 31, 2024
 (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, 2024 and 2023

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 4,517	\$ 3,194	\$ 10,755	\$ 9,807	\$ 15,272	\$ 13,001
Operating grants and contributions	2,116	9,614	230	158	2,346	9,772
Capital grants and contributions	-	-	57	656	57	656
General revenues	-	-	-	-	-	-
Property taxes	14,658	14,454	-	-	14,658	14,454
Other taxes	22	24	-	-	22	24
Intergovernmental revenues not restricted to specific programs	-	-	-	-	-	-
5,274	5,663	-	-	-	5,274	5,663
Investment income	2,860	2,612	483	387	3,343	2,999
Miscellaneous/Other	651	871	1,457	8	2,108	879
Total revenues	<u>30,098</u>	<u>36,432</u>	<u>12,982</u>	<u>11,016</u>	<u>43,080</u>	<u>47,448</u>
Expenses						
General government	4,455	4,540	-	-	4,455	4,540
Protection of persons and property	11,520	11,525	-	-	11,520	11,525
Pubic works	6,875	6,192	-	-	6,875	6,192
Conservation and development	1,040	702	-	-	1,040	702
Health and human services	1,430	1,290	-	-	1,430	1,290
Library	207	842	-	-	207	842
Parks and recreation	897	177	-	-	897	177
Other	-	10	-	-	-	10
Interest and fiscal charges	1,097	843	-	-	1,097	843
Water	-	-	3,309	3,863	3,309	3,863
Wastewater	-	-	3,873	3,278	3,873	3,278
Stormwater	-	-	493	554	493	554
Parkcrest	-	-	590	597	590	597
Total expenses	<u>27,521</u>	<u>26,121</u>	<u>8,265</u>	<u>8,292</u>	<u>35,786</u>	<u>34,413</u>
Increase in net position before transfers	2,577	10,311	4,717	2,724	7,294	13,035
Transfers	<u>492</u>	<u>501</u>	<u>(492)</u>	<u>(501)</u>	<u>-</u>	<u>-</u>
Increase in net position	3,069	10,812	4,225	2,223	7,294	13,035
Net Position, January 1, 2024	<u>10,138</u>	<u>(674)</u>	<u>33,972</u>	<u>31,749</u>	<u>44,110</u>	<u>31,075</u>
Net Position, December 31, 2024	<u>\$ 13,207</u>	<u>\$ 10,138</u>	<u>\$ 38,197</u>	<u>\$ 33,972</u>	<u>51,404</u>	<u>44,110</u>

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2024
(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 \$46.1 million, an increase of approximately \$7.2 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 \$12,197,947.

The debt service fund has a total fund balance of \$1,448,002 which is restricted for debt service requirements.

The special revenue fund - American rescue plan act has a total fund balance of \$185,829 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 \$632,245 which is restricted for tax increment district projects.

The capital project fund – public works projects has a total fund balance of \$10,657,703 which is committed for future public work projects. The TID #5 capital project fund has a total fund balance of \$6,473,526.

The Bucyrus fund has a total fund balance of \$7,947,538 which is used for economic development.

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 \$2,950,935. The Sewer Utility had unrestricted net position of \$3,902,000. The Stormwater Utility had unrestricted net position of \$1,040,045. The change in net position for the funds was an increase in the Water Utility amounting to \$2,541,516, an increase in the Sewer Utility of \$918,128 and an increase in the Stormwater Utility of \$735,935. 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 2024. The City's General Fund had \$4.9 million more in revenues and other financing sources than expenditures and other financing uses increasing fund balance in the General Fund by this amount.

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2024
(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, 2024 amounts to \$76.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

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

As of December 31, 2024 and 2023

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land & improvements	\$ 2,989	\$ 2,989	\$ 17	\$ 17	\$ 3,006	\$ 3,006
Intangible assets	34	34	110	110	144	144
Construction in progress	309	2,851	374	20	683	2,871
Structures and improvements	7,024	7,268	6,764	6,807	13,788	14,075
Machinery & equipment	3,397	3,787	9	9	3,406	3,796
Library Books	239	259	-	-	239	259
Infrastructure	14,371	11,381	40,588	40,593	54,959	51,974
Total	\$ 28,363	\$ 28,569	\$ 47,862	\$ 47,556	\$ 76,225	\$ 76,125

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 \$86.5 million including business type activities. Of this amount, \$34.1 million was for the City's General Obligation debt which included TIF #1, TIF #2, TIF #3, and TIF #5 and \$4.4 million of General Obligation debt for business type activities.

City of South Milwaukee Long-Term Obligations

As of December 31, 2024 and 2023

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Debt	\$ 34,079	\$ 32,298	\$ 4,396	\$ 3,852	\$ 38,475	\$ 36,150
Premium on Debt Issued	1,275	663	214	119	1,489	782
Revenue Bonds	-	-	15,741	17,201	15,741	17,201
Net Pension Liability	1,275	4,483	101	382	1,376	4,865
Net OPEB Liability	656	567	163	150	819	717
Total OPEB Liability	24,954	24,739	2,512	3,829	27,466	28,568
Accumulated Sick Pay	1,017	969	86	83	1,103	1,052
Total	\$ 63,256	\$ 63,719	\$ 23,213	\$ 25,616	\$ 86,469	\$ 89,335

The City of South Milwaukee had a bond rating by Moody's Investor Service of Aa2 for its general obligation debt in 2024. This reflects the City's strong financial position and moderate debt burden.

City of South Milwaukee

Management's Discussion and Analysis
December 31, 2024
(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, 2024 for the City of South Milwaukee is \$95,899,950 which is significantly in excess of the City of South Milwaukee's outstanding general obligation debt of \$38,475,000.

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 active Tax Increment Financing (TIF) districts, while also pursuing other redevelopment opportunities. Many successful projects have been completed in TIDs 1, 2, and 3, resulting in increased property values in these areas. The economic standing of TID 2, following the completion of major projects, allowed the City in 2019 to designate it as a donor TID to TID 5. TID 4, an industrial district approved in 2006 to support the retention and expansion of Bucyrus International (now Caterpillar Global Mining), closed in 2019. Due to recent conditions in downtown South Milwaukee, the City created TID 5 effective January 1, 2019, to spur reinvestment and catalyze downtown activation. Within TID 5, the City has development agreements in place for a \$52 million mixed-use redevelopment of the former Bucyrus Campus and an \$18 million mixed-use project at 10th and Marquette.

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.

To attract, retain, and expand small businesses, the City of South Milwaukee offers multiple grant programs. Grants are available for new businesses, interior and exterior improvements, and signage upgrades. Funds awarded through these programs have enhanced the downtown and generated economic activity. The City also continues to work with Milwaukee 7 to further business recruitment efforts throughout the region.

The City is consistently seeking new and innovative ways to improve service delivery. South Milwaukee has executed agreements with the City of Oak Creek to provide emergency dispatch and IT services. It has also partnered with the City of St. Francis to form a joint health department and with Milwaukee County to begin construction of a new senior citizens center. South Milwaukee will continue to look for opportunities to collaborate with neighboring communities and other governmental agencies.

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, 2024

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 56,219,708	\$ 9,824,124	\$ 66,043,832
Receivables:			
Taxes	7,369,677	1,077,284	8,446,961
Accounts	993,516	835,127	1,828,643
Special assessments	33,139	-	33,139
Interest	20,511	-	20,511
Leases	987,290	46,101	1,033,391
Accrued revenue	-	1,535,893	1,535,893
Internal balances	543,322	(543,322)	-
Prepaid items and inventories	628,741	210,290	839,031
Other assets	-	93	93
Restricted assets:			
Cash and investments	-	2,402,127	2,402,127
Capital assets:			
Land	2,988,589	16,596	3,005,185
Intangible assets	33,758	110,000	143,758
Construction in progress	309,230	374,307	683,537
Other capital and intangible assets, net of depreciation/amortization	25,031,393	47,360,932	72,392,325
Total assets	95,158,874	63,249,552	158,408,426
Deferred Outflows of Resources			
Deferred outflows related to OPEB, LRLIF	244,601	35,223	279,824
Deferred outflows related to OPEB, health	3,964,706	399,115	4,363,821
Deferred outflows related to pension	11,309,482	1,025,078	12,334,560
Total deferred outflows of resources	15,518,789	1,459,416	16,978,205
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable and accrued expenses	1,619,071	376,277	1,995,348
Accrued interest payable	440,810	114,754	555,564
Deposits	47,650	18,050	65,700
Unearned revenues	364,918	-	364,918
Noncurrent liabilities:			
Due within one year	3,293,297	2,564,568	5,857,865
Due in more than one year	59,962,028	20,649,349	80,611,377
Total liabilities	65,727,774	23,722,998	89,450,772
Deferred Inflows of Resources			
Deferred inflows related to pension	6,707,137	643,238	7,350,375
Deferred inflows related to OPEB, health	7,615,858	766,666	8,382,524
Deferred inflows related to OPEB, LRLIF	377,114	94,529	471,643
Unearned revenue	17,041,787	1,284,995	18,326,782
Total deferred inflows of resources	31,741,896	2,789,428	34,531,324
Net Position			
Net investment in capital assets	4,332,342	27,670,721	32,003,063
Restricted:			
Debt service	1,007,192	-	1,007,192
Library	409,295	-	409,295
Police federal asset forfeiture	213,888	-	213,888
TID purposes	8,298,925	-	8,298,925
American Rescue Plan Act	185,829	-	185,829
Bucyrus club	7,947,538	-	7,947,538
Special assessment and interest, capital projects	339,716	-	339,716
Equipment replacement reserve	-	1,607,139	1,607,139
Debt service reserve	-	567,121	567,121
Unrestricted (deficit)	(9,526,732)	8,351,561	(1,175,171)
Total net position	\$ 13,207,993	\$ 38,196,542	\$ 51,404,535

See notes to financial statements

City of South Milwaukee

Statement of Activities

Year Ended December 31, 2024

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	\$ 4,455,381	\$ 1,672,431	\$ 676,776	\$ -	\$ (2,106,174)	\$ -	\$ (2,106,174)	
Public safety	11,519,972	1,620,834	502,349	-	(9,396,789)	-	(9,396,789)	
Public works	6,875,585	1,202,233	170,775	-	(5,502,577)	-	(5,502,577)	
Conservation and development	1,039,986	-	-	-	(1,039,986)	-	(1,039,986)	
Health and human services	1,429,657	13,865	720,837	-	(694,955)	-	(694,955)	
Library	206,637	8,053	45,110	-	(153,474)	-	(153,474)	
Parks and recreation	896,715	-	-	-	(896,715)	-	(896,715)	
Interest and fiscal charges	1,096,633	-	-	-	(1,096,633)	-	(1,096,633)	
Total governmental activities	27,520,566	4,517,416	2,115,847	-	(20,887,303)	-	(20,887,303)	
Business-Type Activities								
Water	3,309,576	4,628,849	-	57,491	-	1,376,764	1,376,764	
Sewer	3,873,406	4,537,311	-	-	-	663,905	663,905	
Stormwater	492,552	1,180,347	-	-	-	687,795	687,795	
Parkcrest housing authority	590,324	408,221	230,154	-	-	48,051	48,051	
Total business-type activities	8,265,858	10,754,728	230,154	57,491	-	2,776,515	2,776,515	
Total	\$ 35,786,424	\$ 15,272,144	\$ 2,346,001	\$ 57,491	(20,887,303)	2,776,515	(18,110,788)	
General Revenues								
Taxes:								
Property taxes, levied for general purposes				9,920,785	-	9,920,785		
Property taxes, levied for debt service				3,239,111	-	3,239,111		
Property taxes, levied for tax increment				1,497,903	-	1,497,903		
Other taxes				21,897	-	21,897		
Intergovernmental revenues not restricted to specific programs				5,274,245	-	5,274,245		
Investment income				2,860,275	482,982	3,343,257		
Miscellaneous				650,462	1,457,248	2,107,710		
Total general revenues				23,464,678	1,940,230	25,404,908		
Transfers				492,117	(492,117)	-		
Change in net position				3,069,492	4,224,628	7,294,120		
Net Position, Beginning				10,138,501	33,971,914	44,110,415		
Net Position, Ending				\$ 13,207,993	\$ 38,196,542	\$ 51,404,535		

See notes to financial statements

City of South Milwaukee

Balance Sheet
Governmental Funds
December 31, 2024

	Special Revenue Fund						Capital Projects Funds			Nonmajor Governmental Funds		Total
	General	Debt Service	Tax Incremental District Funds	American Rescue Plan Act	Bucyrus	Public Works Projects	Tax Increment District #5	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Assets												
Cash and investments	\$ 16,905,787	\$ 3,510,233	\$ 1,652,393	\$ 604,153	\$ 7,947,890	\$ 10,686,097	\$ 6,635,927	\$ 6,773,810	\$ 54,716,290			
Receivables:												
Taxes	4,264,608	1,485,870	735,034	-	-	-	-	882,690	7,368,202			
Accounts	808,686	-	-	-	11,062	-	5,576	93,572	918,896			
Lease	522,410	-	-	-	-	-	464,880	-	987,290			
Special assessments	-	-	-	-	-	-	-	33,139	33,139			
Delinquent personal property taxes	1,475	-	-	-	-	-	-	-	1,475			
Interest	20,511	-	-	-	-	-	-	-	20,511			
Inventory	-	-	-	-	-	-	-	49,411	49,411			
Prepaid	-	-	-	-	-	-	-	579,330	579,330			
Due from other funds	900,603	-	-	-	-	406,358	-	-	450	1,307,411		
Total assets	<u>\$ 23,424,080</u>	<u>\$ 4,996,103</u>	<u>\$ 2,387,427</u>	<u>\$ 604,153</u>	<u>\$ 7,958,952</u>	<u>\$ 11,092,455</u>	<u>\$ 7,106,383</u>	<u>\$ 8,412,402</u>	<u>\$ 65,981,955</u>			
Liabilities, Deferred Inflows of Resources and Fund Balances												
Liabilities												
Accounts payable	\$ 200,340	\$ -	\$ -	\$ 595	\$ 11,414	\$ 434,752	\$ 167,748	\$ 125,632	\$ 940,481			
Accrued liabilities	583,577	-	-	-	-	-	229	18,737	602,543			
Deposits	47,650	-	-	-	-	-	-	-	47,650			
Unearned revenue	-	-	-	360,238	-	-	-	-	4,680	364,918		
Due to other funds	-	-	-	57,491	-	-	-	-	706,598	764,089		
Total liabilities	<u>\$ 831,567</u>	<u>-</u>	<u>-</u>	<u>418,324</u>	<u>11,414</u>	<u>434,752</u>	<u>167,977</u>	<u>855,647</u>	<u>2,719,681</u>			
Deferred Inflows of Resources												
Unearned revenue	10,394,566	3,548,101	1,755,182	-	-	-	-	464,880	879,058	17,041,787		
Unavailable revenue	-	-	-	-	-	-	-	-	35,734	35,734		
Total deferred inflows of resources	<u>10,394,566</u>	<u>3,548,101</u>	<u>1,755,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,880</u>	<u>914,792</u>	<u>17,077,521</u>		
Fund Balances												
Nonspendable	511,753	-	-	-	-	-	-	-	628,741	1,140,494		
Restricted	-	1,448,002	632,245	185,829	7,947,538	5,412,835	6,473,526	3,555,931	25,655,906			
Committed	6,420,291	-	-	-	-	-	5,244,868	-	2,091,252	13,756,411		
Assigned	5,265,903	-	-	-	-	-	-	-	1,097,439	6,363,342		
Unassigned	-	-	-	-	-	-	-	-	(731,400)	(731,400)		
Total fund balances	<u>12,197,947</u>	<u>1,448,002</u>	<u>632,245</u>	<u>185,829</u>	<u>7,947,538</u>	<u>10,657,703</u>	<u>6,473,526</u>	<u>6,641,963</u>	<u>46,184,753</u>			
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,424,080</u>	<u>\$ 4,996,103</u>	<u>\$ 2,387,427</u>	<u>\$ 604,153</u>	<u>\$ 7,958,952</u>	<u>\$ 11,092,455</u>	<u>\$ 7,106,383</u>	<u>\$ 8,412,402</u>				

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Note 2.	28,362,970
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.	35,734
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(1,274,837)
Deferred outflows of resources related to pension and OPEBs do not relate to current financial resources and are not reported in the governmental funds.	15,518,789
Deferred inflows of resources related to pensions and OPEBs do not relate to current financial resources and are not reported in the governmental funds.	(14,700,109)
Internal service funds are reported in the Statement of Net Position as governmental activities.	1,501,991
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.	(62,421,298)
Net Position of Governmental Activities	\$ 13,207,993

See notes to financial statements

City of South Milwaukee

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2024

	Special Revenue Fund								Nonmajor Governmental Funds	Total Governmental Funds		
	General		Debt Service		Tax Incremental District Funds		American Rescue Plan Act					
	General	Debt Service	15,828	658,200	Bucyrus	452	Public Works Projects	Tax Increment District #5				
Revenues												
Taxes	\$ 9,894,380	\$ 3,239,111	\$ 1,546,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,679,696		
Intergovernmental	5,389,754	-	15,828	658,200	-	452	-	-	1,012,540	7,076,774		
Regulation and compliance	1,063,584	-	-	-	-	-	-	-	-	1,063,584		
Public charges for services	1,478,458	-	-	-	-	-	-	-	794,077	2,272,535		
Public improvement revenues	-	-	-	-	-	-	-	-	8,292	8,292		
Interdepartmental revenues	881,295	-	-	-	-	-	-	-	-	881,295		
Investment income	1,625,223	-	-	51,631	411,763	277,390	305,186	164,821	2,836,014			
Miscellaneous	142,009	-	-	-	2,777	-	85,478	388,862	619,126			
Total revenues	<u>20,474,703</u>	<u>3,239,111</u>	<u>1,562,033</u>	<u>709,831</u>	<u>414,540</u>	<u>277,842</u>	<u>390,664</u>	<u>2,368,592</u>	<u>29,437,316</u>			
Expenditures												
Current:												
General government	3,309,325	-	-	138,757	-	-	-	-	18,371	3,466,453		
Public safety	9,542,810	-	-	-	-	-	-	-	311,975	9,854,785		
Public works	3,686,356	-	-	-	-	-	-	-	1,643,964	5,330,320		
Health and human services	606,078	-	-	-	-	-	-	-	747,266	1,353,344		
Library	-	-	-	-	-	-	-	-	619,254	619,254		
Parks and recreation	206,637	-	-	-	-	-	-	-	-	206,637		
Conservation and development	358,664	-	-	-	320,277	-	28,013	98,532	805,486			
Other	98,888	-	-	-	-	-	-	-	-	98,888		
Capital outlay	306,400	-	-	-	-	1,408,981	39,556	732,980	2,487,917			
Debt service:												
Principal retirement	-	6,233,700	-	-	-	-	-	-	-	6,233,700		
Interest and fiscal charges	-	924,927	-	-	-	73,639	-	55,933	1,054,499			
Total expenditures	<u>18,115,158</u>	<u>7,158,627</u>	<u>-</u>	<u>138,757</u>	<u>320,277</u>	<u>1,482,620</u>	<u>67,569</u>	<u>4,228,275</u>	<u>31,511,283</u>			
Excess (deficiency) of revenues over expenditures	<u>2,359,545</u>	<u>(3,919,516)</u>	<u>1,562,033</u>	<u>571,074</u>	<u>94,263</u>	<u>(1,204,778)</u>	<u>323,095</u>	<u>(1,859,683)</u>	<u>(2,073,967)</u>			
Other Financing Sources (Uses)												
Debt issued	-	2,381,442	-	-	-	-	3,201,658	-	2,431,900	8,015,000		
Premium on debt issuance	-	231,309	-	-	-	-	310,978	-	236,210	778,497		
Transfers in	3,480,528	1,703,000	-	-	-	-	415,000	636,006	1,679,316	7,913,850		
Transfers out	(938,866)	-	(2,023,047)	(519,444)	(121,545)	-	(315,959)	(3,502,872)	(7,421,733)			
Total other financing sources (uses)	<u>2,541,662</u>	<u>4,315,751</u>	<u>(2,023,047)</u>	<u>(519,444)</u>	<u>(121,545)</u>	<u>3,927,636</u>	<u>320,047</u>	<u>844,554</u>	<u>9,285,614</u>			
Net change in fund balance	<u>4,901,207</u>	<u>396,235</u>	<u>(461,014)</u>	<u>51,630</u>	<u>(27,282)</u>	<u>2,722,858</u>	<u>643,142</u>	<u>(1,015,129)</u>	<u>7,211,647</u>			
Fund Balances, Beginning	<u>7,296,740</u>	<u>1,051,767</u>	<u>1,093,259</u>	<u>134,199</u>	<u>7,974,820</u>	<u>7,934,845</u>	<u>5,830,384</u>	<u>7,657,092</u>	<u>38,973,106</u>			
Fund Balances, Ending	<u><u>\$ 12,197,947</u></u>	<u><u>\$ 1,448,002</u></u>	<u><u>\$ 632,245</u></u>	<u><u>\$ 185,829</u></u>	<u><u>\$ 7,947,538</u></u>	<u><u>\$ 10,657,703</u></u>	<u><u>\$ 6,473,526</u></u>	<u><u>\$ 6,641,963</u></u>	<u><u>\$ 46,184,753</u></u>			

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, 2024

Net Change in Fund Balances, Total Governmental Funds \$ 7,211,647

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	2,487,917
Some items reported as operating expenditures in the fund statements are capitalized in the government-wide financial statements	24,727
Some items reported as capital outlay are not capitalized	(765,660)
Depreciation is reported in the government-wide statements	(1,856,220)
Net book value of assets retired	(96,458)

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

Debt issued	(8,015,000)
Premium on debt issued	(778,497)
Principal repaid	6,233,700

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. (419)

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. 57,735

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	(47,543)
Amortization of premium	165,891
Net pension liability	3,208,504
Deferred outflows of resources related to pension and OPEB	(5,999,953)
Deferred inflows of resources related to pension and OPEB	1,750,552
Net and total OPEB liabilities	(303,403)
Accrued interest on debt	(208,028)

Change in Net Position of Governmental Activities \$ 3,069,492

City of South Milwaukee

Statement of Net Position -
Proprietary Funds
December 31, 2024

	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	\$ 3,208,854	\$ 3,952,487	\$ 2,183,850	\$ 478,933	\$ 9,824,124	\$ 1,503,418	
Taxes receivable	285,907	272,554	518,823	-	1,077,284	-	
Accounts receivable	816,806	7,566	-	10,755	835,127	74,620	
Lease receivable	46,101	-	-	-	46,101	-	
Due from other funds	152,541	387,659	-	-	540,200	-	
Prepaid items and inventories	199,388	-	-	10,902	210,290	-	
Accrued revenue	695,980	839,913	-	-	1,535,893	-	
Restricted assets:							
Cash and investments	160,208	474,521	-	-	634,729	-	
Total current assets	<u>5,565,785</u>	<u>5,934,700</u>	<u>2,702,673</u>	<u>500,590</u>	<u>14,703,748</u>	<u>1,578,038</u>	
Noncurrent Assets							
Restricted assets:							
Cash and investments	160,259	1,607,139	-	-	1,767,398	-	
Capital assets:							
Land	2,400	8,000	-	6,196	16,596	-	
Intangible assets	110,000	-	-	-	110,000	-	
Property and equipment	32,356,542	37,948,240	13,206,493	4,985,038	88,496,313	-	
Construction work in progress	311,821	62,486	-	-	374,307	-	
Less accumulated depreciation	(14,332,096)	(19,070,077)	(3,782,712)	(3,950,496)	(41,135,381)	-	
Other assets	-	-	-	93	93	-	
Total noncurrent assets	<u>18,608,926</u>	<u>20,555,788</u>	<u>9,423,781</u>	<u>1,040,831</u>	<u>49,629,326</u>	<u>-</u>	
Total assets	<u>24,174,711</u>	<u>26,490,488</u>	<u>12,126,454</u>	<u>1,541,421</u>	<u>64,333,074</u>	<u>1,578,038</u>	
Deferred Outflows of Resources							
Deferred outflows related to pensions	516,389	389,932	-	118,757	1,025,078	-	
Deferred outflows related to OPEB, health	207,150	191,965	-	-	399,115	-	
Deferred outflows related to OPEB, life	22,532	12,691	-	-	35,223	-	
Total deferred outflows of resources	<u>746,071</u>	<u>594,588</u>	<u>-</u>	<u>118,757</u>	<u>1,459,416</u>	<u>-</u>	
Liabilities, Deferred Inflows of Resources and Net Position							
Liabilities							
Accounts payable	197,878	77,458	2,491	11,759	289,586	-	
Accrued liabilities	37,719	32,041	2,669	14,262	86,691	76,047	
Accrued interest	34,930	-	12,216	-	47,146	-	
Special deposits	-	-	-	18,050	18,050	-	
Due to other funds	577,511	66,080	406,358	33,573	1,083,522	-	
Current portion of general obligation debt	287,845	336,123	405,847	-	1,029,815	-	
Current portion of compensated absences	21,483	21,483	-	-	42,966	-	
Liabilities payable from restricted assets:							
Current portion of revenue bonds	827,369	664,418	-	-	1,491,787	-	
Accrued interest	22,313	45,295	-	-	67,608	-	
Total current liabilities	<u>2,007,048</u>	<u>1,242,898</u>	<u>829,581</u>	<u>77,644</u>	<u>4,157,171</u>	<u>76,047</u>	
Noncurrent Liabilities							
Compensated absences	21,482	21,482	-	-	42,964	-	
Total OPEB liability, health	1,303,803	1,208,222	-	-	2,512,025	-	
Net pension liability	44,134	44,134	-	13,114	101,382	-	
Net OPEB liability, life	123,160	40,047	-	-	163,207	-	
Long-term bonds and notes payable:							
General obligation debt	1,627,017	978,197	975,149	-	3,580,363	-	
Revenue bonds	5,927,484	8,321,924	-	-	14,249,408	-	
Total noncurrent liabilities	<u>9,047,080</u>	<u>10,614,006</u>	<u>975,149</u>	<u>13,114</u>	<u>20,649,349</u>	<u>-</u>	
Total liabilities	<u>11,054,128</u>	<u>11,856,904</u>	<u>1,804,730</u>	<u>90,758</u>	<u>24,806,520</u>	<u>76,047</u>	
Deferred Inflows of Resources							
Deferred inflows related to pension	323,510	249,627	-	70,101	643,238	-	
Deferred inflows related to OPEB, health	397,918	368,748	-	-	766,666	-	
Deferred inflows related to OPEB, life	71,083	23,446	-	-	94,529	-	
Unearned revenue	46,101	-	1,238,894	-	1,284,995	-	
Total deferred inflows of resources	<u>838,612</u>	<u>641,821</u>	<u>1,238,894</u>	<u>70,101</u>	<u>2,789,428</u>	<u>-</u>	
Net Position							
Net investment in capital assets	9,939,212	8,647,986	8,042,785	1,040,738	27,670,721	-	
Restricted:							
Equipment replacement reserve	-	1,607,139	-	-	1,607,139	-	
Debt service reserve	137,895	429,226	-	-	567,121	-	
Unrestricted	2,950,935	3,902,000	1,040,045	458,581	8,351,561	1,501,991	
Total net position	<u>\$ 13,028,042</u>	<u>\$ 14,586,351</u>	<u>\$ 9,082,830</u>	<u>\$ 1,499,319</u>	<u>\$ 38,196,542</u>	<u>\$ 1,501,991</u>	

See notes to financial statements

City of South Milwaukee

Statement of Revenues, Expenses and Changes in Net Position -
 Proprietary Funds
 Year Ended December 31, 2024

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Total	Internal Service Fund
Operating Revenues						
Charges for services	\$ 4,319,359	\$ 4,085,713	\$ 1,180,347	\$ 408,221	\$ 9,993,640	\$ 568,977
Other operating revenues	309,490	451,598	-	-	761,088	82,581
Total operating revenues	<u>4,628,849</u>	<u>4,537,311</u>	<u>1,180,347</u>	<u>408,221</u>	<u>10,754,728</u>	<u>651,558</u>
Operating Expenses						
Operation and maintenance	2,084,142	2,653,933	263,661	495,418	5,497,154	603,310
Depreciation	965,970	935,572	197,517	94,906	2,193,965	-
Taxes	52,773	48,354	-	-	101,127	-
Total operating expenses	<u>3,102,885</u>	<u>3,637,859</u>	<u>461,178</u>	<u>590,324</u>	<u>7,792,246</u>	<u>603,310</u>
Operating income (loss)	<u>1,525,964</u>	<u>899,452</u>	<u>719,169</u>	<u>(182,103)</u>	<u>2,962,482</u>	<u>48,248</u>
Nonoperating Revenues (Expenses)						
Loss on disposal of capital asset	-	-	(570)	-	(570)	-
Intergovernmental grants and aids	57,491	-	-	230,154	287,645	9,487
Interest on lease	4,629	-	-	-	4,629	-
Other postemployment benefit revenue	1,452,619	-	-	-	1,452,619	-
Investment income	155,630	265,579	48,140	13,633	482,982	-
Interest and amortization expense	(206,691)	(235,547)	(30,804)	-	(473,042)	-
Total nonoperating revenues (expenses)	<u>1,463,678</u>	<u>30,032</u>	<u>16,766</u>	<u>243,787</u>	<u>1,754,263</u>	<u>9,487</u>
Income before transfers	<u>2,989,642</u>	<u>929,484</u>	<u>735,935</u>	<u>61,684</u>	<u>4,716,745</u>	<u>57,735</u>
Transfers out	<u>(448,126)</u>	<u>(11,356)</u>	<u>-</u>	<u>(32,635)</u>	<u>(492,117)</u>	<u>-</u>
Change in net position	<u>2,541,516</u>	<u>918,128</u>	<u>735,935</u>	<u>29,049</u>	<u>4,224,628</u>	<u>57,735</u>
Net Position, Beginning	<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>
Net Position, Ending	<u><u>\$ 13,028,042</u></u>	<u><u>\$ 14,586,351</u></u>	<u><u>\$ 9,082,830</u></u>	<u><u>\$ 1,499,319</u></u>	<u><u>\$ 38,196,542</u></u>	<u><u>\$ 1,501,991</u></u>

City of South Milwaukee

Statement of Cash Flows -
 Proprietary Funds
 Year Ended December 31, 2024

	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	\$ 4,004,246	\$ 4,706,614	\$ 1,213,752	\$ 407,807	\$ 10,332,419	\$ 654,470	
Received (paid) from/(to) municipality	1,037,304	-	-	-	1,037,304	-	
Paid to vendors for goods and services	(1,541,763)	(1,995,373)	(258,899)	(484,023)	(4,280,058)	(603,815)	
Paid to employees for services	(664,059)	(632,073)	(12,813)	-	(1,308,945)	-	
Net cash flows from operating activities	2,835,728	2,079,168	942,040	(76,216)	5,780,720	50,655	
Cash Flows From Noncapital Financing Activities							
Transfers	-	-	-	(32,635)	(32,635)	-	
Received (paid) from/(to) municipality	(448,126)	(11,356)	-	-	(459,482)	-	
Net cash flows from noncapital financing activities	(448,126)	(11,356)	-	(32,635)	(492,117)	-	
Cash Flows From Capital and Related Financing Activities							
Debt retired	(1,001,620)	(843,672)	(405,400)	-	(2,250,692)	-	
Interest paid and fees	(197,582)	(242,702)	(37,345)	-	(477,629)	-	
Acquisition and construction of capital assets	(1,157,427)	(848,238)	(73,172)	(24,991)	(2,103,828)	-	
Intergovernmental grants and aids	-	-	-	230,154	230,154	9,487	
Grant received	57,491	-	-	-	57,491	-	
Premium on debt issued	90,817	19,426	19,426	-	129,669	-	
Proceeds from debt issued	935,000	200,000	200,000	-	1,335,000	-	
Net cash flows from capital and related financing activities	(1,273,321)	(1,715,186)	(296,491)	205,163	(3,079,835)	9,487	
Cash Flows From Investing Activities							
Interest on lease	4,629	-	-	-	4,629	-	
Investment income	155,630	265,579	48,140	13,633	482,982	-	
Net cash flows from investing activities	160,259	265,579	48,140	13,633	487,611	-	
Net change in cash and cash equivalents	1,274,540	618,205	693,689	109,945	2,696,379	60,142	
Cash and Cash Equivalents, Beginning	2,254,781	5,415,942	1,490,161	368,988	9,529,872	1,443,276	
Cash and Cash Equivalents, Ending	\$ 3,529,321	\$ 6,034,147	\$ 2,183,850	\$ 478,933	\$ 12,226,251	\$ 1,503,418	

See notes to financial statements

City of South Milwaukee

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2024

	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)	\$ 1,525,964	\$ 899,452	\$ 719,169	\$ (182,103)	\$ 2,962,482	\$ 48,248	
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Noncash items in operating income:							
Depreciation	965,970	935,572	197,517	94,906	2,193,965		-
Depreciation charged to other utilities	40,631	(40,631)	-	-	-		-
Changes in assets, deferred outflows/inflows and liabilities:							
Accounts receivable	(115,083)	(51,170)	-	(414)	(166,667)	2,912	
Due from other funds	487,153	212,812	(25,142)	-	674,823		-
Inventories	(118,729)	-	-	1,643	(117,086)		-
Prepaid items	-	-	-	(514)	(514)		-
Accrued liabilities	(5,710)	3,281	-	-	(2,429)		-
Accounts payable	136,486	(11,492)	(7,067)	1,225	119,152		-
Due to other funds	(80,954)	-	-	2,815	(78,139)		-
OPEB / pension related deferrals, assets and liabilities	-	125,118	58,547	5,470	189,135		-
Other deferred inflows or resources	-	-	-	(2,367)	(2,367)		-
Other current liabilities	-	6,226	(984)	3,123	8,365		(505)
Net cash flows from operating activities	<u>\$ 2,835,728</u>	<u>\$ 2,079,168</u>	<u>\$ 942,040</u>	<u>\$ (76,216)</u>	<u>\$ 5,780,720</u>	<u>\$ 50,655</u>	
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds							
Cash and investments, statement of net position	\$ 3,208,854	\$ 3,952,487	\$ 2,183,850	\$ 478,933	\$ 9,824,124	\$ 1,503,418	
Restricted cash and investments, statement of net position	<u>320,467</u>	<u>2,081,660</u>	<u>-</u>	<u>-</u>	<u>2,402,127</u>	<u>-</u>	
Cash and Cash Equivalents, Ending	<u><u>\$ 3,529,321</u></u>	<u><u>\$ 6,034,147</u></u>	<u><u>\$ 2,183,850</u></u>	<u><u>\$ 478,933</u></u>	<u><u>\$ 12,226,251</u></u>	<u><u>\$ 1,503,418</u></u>	
Noncash Capital and Related Financing Activities							
Amortization	<u>\$ 14,510</u>	<u>\$ 9,410</u>	<u>\$ 10,098</u>	<u>\$ -</u>	<u>\$ 34,018</u>	<u>\$ -</u>	

City of South Milwaukee

Statement of Fiduciary Net Position -
Fiduciary Fund
December 31, 2024

	Custodial Fund	
	Tax	
	Collection	
	Fund	
Assets		
Cash and investments	\$ 13,284,859	
Taxes receivable	<u>8,025,522</u>	
 Total assets	 <u>21,310,381</u>	
Liabilities		
Due to other taxing units	<u>21,310,381</u>	
 Total liabilities	 <u>21,310,381</u>	
 Net position	 <u>\$ -</u>	

City of South Milwaukee

Statement of Changes in Fiduciary Net Position -

Fiduciary Fund

Year Ended December 31, 2024

	Custodial Fund
	Tax
	Collection
	Fund
Additions	
Tax collections	<u>\$ 21,306,714</u>
Expenses	
Payments to overlying districts	<u>21,306,714</u>
Change in fiduciary net position	-
Net Position, Beginning	-
Net Position, Ending	<u>\$ -</u>

City of South Milwaukee

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December 31, 2024

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City of South Milwaukee

Notes to Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented January 1, 2024. The impact of implementation was not material.

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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..

Capital Projects Fund - Tax Incremental District (TID) No. 5 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	Lead Service Line

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

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

Enterprise Funds

Enterprise Funds are used to account for and report any activity for which a fee is charged to external users 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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

- 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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2024, 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 - 2024 tax roll:

Lien date and levy date	December 2024
Tax bills mailed	December 2024
Payment in full, or	January 31, 2025
First installment due	January 31, 2025
Second installment due	April 30, 2025
Third installment due	July 31, 2025
Fourth installment due	August 15, 2025
Tax sale - 2024 delinquent real estate taxes	October 2027

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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 nine 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.

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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;
- 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 LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member 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, 2024

Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin effective February 1, 2024.

Sewer Utility

Current sewer rates were approved by the City's common council effective February 1, 2024.

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	309,230
Buildings	13,016,163
Machinery and equipment	10,239,037
Library book collection	648,599
Infrastructure	25,299,196
Intangibles, easements	33,758
Land Improvements	2,748,625
Less accumulated depreciation	<u>(26,920,227)</u>
Combined adjustment for capital assets	<u>\$ 28,362,970</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	\$ 34,078,985
Premium on debt issued	1,275,206
Accumulated sick pay benefits	1,016,859
Accrued interest payable	440,810
Net and total OPEB liability	<u>25,609,438</u>
Combined adjustment for long-term liabilities	<u>\$ 62,421,298</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, Paramedic Fund, American Rescue Plan Act Fund, Lead Service Line Fund, Bucyrus Fund, Referendum Officer 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
Debt Service Fund	\$ 4,723,711	\$ 7,457,225	\$ 2,733,514
Special Revenue Fund, Police	3,000	53,829	50,829
Special Revenue Fund, Health	461,306	525,142	63,836
Special Revenue Fund, Fire	11,874	13,303	1,429
Special Revenue Fund, General Government	6,750	18,371	11,621

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.

Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2024, the following individual funds held a deficit balance:

Fund	Amount
Special Revenue Fund, City Sealer	\$ 902
Special Revenue Fund, Lead Service Line	669,546
Capital Projects Fund, Tax Increment District #2	11,541

Fund deficits are anticipated to be funded with future contributions, long-term borrowing, or special charges.

Limitations on the City's Tax Levy

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

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

4. Detailed Notes on All Funds

Deposits and Investments

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

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 10,890,348	\$ 10,256,809	Custodial credit Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
Certificates of deposit, negotiable	1,188,662	1,188,662	Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
U.S. agencies	2,215,196	2,215,196	Custodial credit, credit, concentration credit, interest rate, investment highly sensitive to interest rate changes
LGIP	67,415,522	67,415,522	Credit
Petty cash	<u>21,090</u>	<u>-</u>	N/A
Total deposits and investments	<u>\$ 81,730,818</u>	<u>\$ 81,076,189</u>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 66,043,832		
Restricted cash and investments	2,402,127		
Per statement of fiduciary net position, custodial fund:			
Cash and investments	<u>13,284,859</u>		
Total deposits and investments	<u>\$ 81,730,818</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 non-interest-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 \$1,000,000. 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, 2024

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, 2024			
	Level 1	Level 2	Level 3	Total
Certificates of deposits, negotiable	\$ -	\$ 1,188,662	\$ -	\$ 1,188,662
U.S. agencies	\$ -	\$ 2,215,196	\$ -	\$ 2,215,196
Total	\$ -	\$ 3,403,858	\$ -	\$ 3,403,858

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, 2024, \$984,536 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 984,536
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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	\$ 1,188,662
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U.S. Agencies

Neither insured nor registered and held by counterparty	\$ 2,215,196
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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, 2024

As of December 31, 2024, 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, 2024, the City's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Net Position
FHLB	U.S. Agency Bonds	47.47 %
Capital One	Certificate of deposit	8.77
FHLMC	U.S. Agency Bonds	11.73
Morgan Stanley	Certificate of deposit	5.89

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, 2024, 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	\$ 1,188,662	\$ 1,188,662	\$ -	\$ -
U.S. agencies	<u>\$ 2,215,196</u>	<u>\$ 397,028</u>	<u>\$ 1,818,168</u>	<u>\$ -</u>
Total	<u>\$ 3,403,858</u>	<u>\$ 1,585,690</u>	<u>\$ 1,818,168</u>	<u>\$ -</u>

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2024, the City held \$1,188,662 in Certificates of Deposits, negotiable and \$2,215,196 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 2029.

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

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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 \$936 of delinquent personal property taxes reported in the general fund, \$522,410, \$464,880, \$46,101 of lease payments in the general fund, TIF District #5 fund and water fund, respectively, and \$33,139 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	\$ 15,877,847	\$ -
Lease receivable	987,290	-
Special assessments not yet due	-	35,734
Grant drawdowns prior to meeting all eligibility requirements	364,918	-
Special charges	<u>176,650</u>	<u>-</u>
 Total unearned/unavailable revenue for governmental funds	 <u>\$ 17,406,705</u>	 <u>\$ 35,734</u>
Unearned revenue included in liabilities	\$ 364,918	
Unearned revenue included in deferred inflows	<u>17,041,787</u>	
 Total unearned revenue for governmental funds	 <u>\$ 17,406,705</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	\$ 1,238,894
Lease receivable	<u>46,101</u>
 Total unearned revenue for proprietary funds	 <u>\$ 1,284,995</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2024:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Debt service reserve	\$ 474,521	\$ 45,295	\$ 429,226
Equipment replacement account	1,607,139	-	1,607,139
Construction account	160,259	-	n/a
Redemption account	160,208	22,313	137,895
Total	\$ 2,402,127	\$ 67,608	\$ 2,174,260

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,988,589	\$ -	\$ -	\$ 2,988,589
Intangible assets	33,758	-	-	33,758
Construction in progress	2,851,018	309,230	2,851,018	309,230
Total capital assets not being depreciated	5,873,365	309,230	2,851,018	3,331,577
Capital assets being depreciated:				
Buildings	12,986,830	29,333	-	13,016,163
Machinery & equipment	11,130,921	230,961	1,122,845	10,239,037
Library book collection	695,540	44,538	91,479	648,599
Roads	20,941,268	1,035,230	129,794	21,846,704
Bridges	229,534	-	-	229,534
Sidewalks	3,034,936	200,085	12,063	3,222,958
Land Improvements	-	2,748,625	-	2,748,625
Total capital assets being depreciated	49,019,029	4,288,772	1,356,181	51,951,620
Total capital assets	54,892,394	4,598,002	4,207,199	55,283,197
Less accumulated depreciation for:				
Buildings	(5,719,068)	(273,076)	-	(5,992,144)
Machinery & equipment	(7,343,719)	(532,820)	1,034,209	(6,842,330)
Library book collection	(436,562)	(64,863)	91,479	(409,946)
Roads	(12,065,585)	(780,941)	129,794	(12,716,732)
Bridges	(55,630)	(4,591)	-	(60,221)
Sidewalks	(703,166)	(62,498)	4,241	(761,423)
Land Improvements	-	(137,431)	-	(137,431)
Total accumulated depreciation	(26,323,730)	(1,856,220)	1,259,723	(26,920,227)
Net capital assets being depreciated	22,695,299	2,432,552	96,458	25,031,393
Total governmental activities capital assets, net as reported in the statement of net position	\$ 28,568,664	\$ 2,741,782	\$ 2,947,476	\$ 28,362,970

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 265,706
Public safety	258,228
Public works	1,114,760
Library	77,110
Health and Sanitation	2,985
Conservation and Development	137,431
 Total governmental activities depreciation / amortization expense	 \$ 1,856,220

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

	<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	19,740	805,933	451,366	374,307
Intangible asset	110,000	-	-	110,000
Total capital assets not being depreciated	<u>146,336</u>	<u>805,933</u>	<u>451,366</u>	<u>500,903</u>
Capital assets being depreciated:				
Structures and improvements	14,060,435	164,509	8,557	14,216,387
Machinery and equipment	66,140	3,102	-	69,242
Water distribution system	12,835,894	-	-	12,835,894
Sewer collection system	20,381,764	451,366	221,169	20,611,961
Sewer machinery and equipment	7,926,462	203,731	94,500	8,035,693
Water machinery and equipment	18,900,044	845,606	225,007	19,520,643
Stormwater equipment	344,391	-	-	344,391
Stormwater system	12,385,589	477,358	845	12,862,102
Total capital assets being depreciated	<u>86,900,719</u>	<u>2,145,672</u>	<u>550,078</u>	<u>88,496,313</u>
Total capital assets	<u>87,047,055</u>	<u>2,951,605</u>	<u>1,001,444</u>	<u>88,997,216</u>
Less accumulated depreciation for:				
Structures and improvements	(7,253,135)	(207,347)	8,558	(7,451,924)
Machinery and equipment	(56,851)	(2,784)	-	(59,635)
Water distribution system	(6,278,397)	(517,799)	-	(6,796,196)
Sewer collection system	(7,785,151)	(682,915)	221,169	(8,246,897)
Sewer machinery and equipment	(7,275,620)	(96,801)	94,500	(7,277,921)
Water machinery and equipment	(7,256,302)	(488,802)	225,007	(7,520,097)
Stormwater equipment	(79,807)	(22,523)	-	(102,330)
Stormwater system	(3,505,662)	(174,994)	275	(3,680,381)
Total accumulated depreciation	<u>(39,490,925)</u>	<u>(2,193,965)</u>	<u>549,509</u>	<u>(41,135,381)</u>
Net capital assets being depreciated	<u>47,409,794</u>	<u>(48,293)</u>	<u>569</u>	<u>47,360,932</u>
Business-type activities capital assets, net as reported in the statement of net position	<u>\$ 47,556,130</u>	<u>\$ 757,640</u>	<u>\$ 451,935</u>	<u>\$ 47,861,835</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 965,970
Sewer	935,572
Stormwater	197,517
Parkcrest Housing Authority	<u>94,906</u>
Total business-type activities , net as reported in the statement of net position expense	<u>\$ 2,193,965</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue, Library Fund	\$ 1,854
General Fund	Parkcrest Housing Authority	33,573
General Fund	Water Utility	189,402
General Fund	Sewer Utility	54,487
General Fund	Special revenue, City Sealer Fund	432
	Special Revenue, Lead Service Line Fund	
General Fund		609,314
General Fund	Capital Projects Fund, Tax Increment District #2	11,541
Capital Projects Fund, Public Works Projects	Stormwater Utility	406,358
Water Utility	Sewer Utility	11,593
Sewer Utility	Water Utility	387,659
Water Utility	Special Revenue, Lead Service Line Fund	83,457
Water Utility	Special Revenue, American Rescue Plan Act	57,491
Special Revenue, Lead Service Line Fund	Water Utility	450
Total, fund financial statements		1,847,611
Less fund eliminations		(1,304,289)
	Total internal balances, government-wide statement of net position	\$ 543,322

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, 2024

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Parkcrest Housing Authority	\$ 32,635	Payment in lieu of taxes
	Water Fund	448,126	Tax equivalent
	Sewer Fund	11,356	Payment in lieu of taxes
	Special Revenue Fund, Paramedic	2,391,058	Close Fund
	Special Revenue Fund, Referendum Officer Fund	473,477	Close Fund
	Special Revenue Fund, Fire	2,331	Cover costs
	Special Revenue, Bucyrus Funds	121,545	Reimbursement for expenses
Special Revenue, School Liaison Police Program Fund	General Fund	175,630	Budgeted appropriation
Special Revenue, Health Consortium Fund	General Fund	17,400	Budgeted appropriation
Special Revenue, Library Fund	General Fund	667,422	Aid in operations
Special Revenue, General Government Fund	General Fund	53,414	Cover costs
Debt Service	Special Revenue Fund, Tax Incremental District #1	393,400	Debt Service
	Special Revenue Fund, Tax Incremental District #3	982,350	Debt Service
	Capital Projects Fund, Tax Incremental District #5	327,250	Debt Service
Capital Projects, Tax Incremental District #2	Special Revenue Fund, Tax Incremental District #2	636,006	Eliminate deficit fund balance
Special Revenue Fund, Tax Incremental District #5	Capital Projects, Tax Incremental District #2	636,006	Increment transfer from donor TID
Special Revenue, Lead Service Line Fund	Special Revenue, American Rescue Plan Act	104,444	Project funding
Capital Projects, Public works projects	Special Revenue, American Rescue Plan Act	415,000	Project funding
Special Revenue Fund, Economic Development	General Fund	25,000	Allocation of fund balance
Total, fund financial statements		7,913,850	
Less fund eliminations		(7,421,733)	
Total transfers, government-wide statement of activities		\$ 492,117	

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 32,297,685	\$ 8,015,000	\$ 6,233,700	\$ 34,078,985	\$ 3,220,185
Premium on debt issued	662,600	778,497	165,891	1,275,206	-
Subtotal	<u>32,960,285</u>	<u>8,793,497</u>	<u>6,399,591</u>	<u>35,354,191</u>	<u>3,220,185</u>
Other liabilities:					
Net pension liability	4,483,341	-	3,208,504	1,274,837	-
Compensated absences	969,316	117,237	69,694	1,016,859	73,112
Net OPEB liability, LRLIF	567,063	88,564	-	655,627	-
Total OPEB liability, health insurance	24,738,972	214,839	-	24,953,811	-
Total other liabilities	<u>30,758,692</u>	<u>420,640</u>	<u>3,278,198</u>	<u>27,901,134</u>	<u>73,112</u>
Total governmental activities long-term liabilities	<u>\$ 63,718,977</u>	<u>\$ 9,214,137</u>	<u>\$ 9,677,789</u>	<u>\$ 63,255,325</u>	<u>\$ 3,293,297</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 3,852,315	\$ 1,335,000	\$ 791,300	\$ 4,396,015	\$ 1,029,815
Revenue bonds	17,200,587	-	1,459,392	15,741,195	1,491,787
(Discounts)/Premiums:					
Premium on debt issued	118,512	129,669	34,018	214,163	-
Total bonds and notes payable	<u>21,171,414</u>	<u>1,464,669</u>	<u>2,284,710</u>	<u>20,351,373</u>	<u>2,521,602</u>
Other liabilities:					
Net pension liability	382,076	-	280,694	101,382	-
Compensated absences	83,514	23,123	20,707	85,930	42,966
Net OPEB liability, LRLIF	149,543	13,664	-	163,207	-
Total OPEB liability, health insurance	3,829,000	47,919	1,364,894	2,512,025	-
Total other liabilities	<u>4,444,133</u>	<u>84,706</u>	<u>1,666,295</u>	<u>2,862,544</u>	<u>42,966</u>
Total business-type activities long-term liabilities	<u>\$ 25,615,547</u>	<u>\$ 1,549,375</u>	<u>\$ 3,951,005</u>	<u>\$ 23,213,917</u>	<u>\$ 2,564,568</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2024 was \$95,899,950. Total general obligation debt outstanding at year-end was \$38,475,000.

<u>Governmental Activities</u>		<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2024</u>
<u>General Obligation Debt</u>						
GO Promissory Note	03/15/16	10/01/25	2.00-4.00%	\$ 5,477,000	\$ 1,194,585	
GO Refunding Bond	08/01/18	10/01/26	2.35-4.00	2,760,000	800,000	
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	6,115,000	3,840,000	
GO Promissory Note	05/06/20	10/01/30	1.75-3	6,930,000	6,605,000	
GO Promissory Note	04/01/21	04/01/31	0.3-1.85	5,440,000	4,690,000	
GO Promissory Note	05/04/22	10/01/32	4.00	9,115,000	8,934,400	
GO Promissory Note	05/01/24	04/01/34	3.14-3.27	8,015,000	8,015,000	
Total governmental activities, general obligation debt						<u>\$ 34,078,985</u>

<u>Business-Type Activities</u>		<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2024</u>
<u>General Obligation Debt</u>						
GO Promissory Note	03/15/16	10/01/25	2.00-4.00%	\$ 1,538,000	\$ 275,845	
GO Promissory Note	05/04/22	10/01/32	4.00	605,000	593,000	
GO Promissory Note	05/01/24	04/01/34	3.14-3.27	935,000	935,000	
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	460,000	253,723	
GO Promissory Note	05/06/20	10/01/30	1.75-3	740,000	440,000	
GO Promissory Note	05/04/22	10/01/32	4.00	375,000	367,600	
GO Promissory Note	05/01/24	04/01/34	3.14-3.27	200,000	200,000	
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	500,000	275,847	
GO Promissory Note	05/06/20	10/01/30	1.75-3	1,130,000	855,000	
GO Promissory Note	05/01/24	04/01/34	3.14-3.27	200,000	200,000	
Total business-type activities, general obligation debt						<u>\$ 4,396,015</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Obligation Debt</u>	<u>Principal</u>	<u>General Obligation Debt</u>	<u>Principal</u>
2025		\$ 3,220,185	\$ 1,271,041	\$ 1,029,815
2026		3,365,750	1,008,275	234,250
2027		3,020,750	913,738	379,250
2028		2,845,750	839,565	394,250
2029		3,097,050	762,021	452,950
2030-2034		18,529,500	1,906,716	1,905,500
Total		<u>\$ 34,078,985</u>	<u>\$ 6,701,356</u>	<u>\$ 4,396,015</u>
				<u>\$ 658,720</u>

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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 18.00% of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,895,934. Principal and interest paid for the current year and total customer net revenues were \$1,806,427 and \$6,262,906, respectively.

Revenue debt payable at December 31, 2024, consists of the following:

Business-Type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2024
Sewer Utility					
	06/11/08	05/01/28	2.37%	\$ 1,431,165	\$ 342,495
	06/26/13	05/01/33	2.63	5,412,363	2,796,250
	08/28/19	05/01/39	1.76	3,284,958	2,567,860
	11/09/22	05/01/42	2.15	3,564,097	3,279,737
					Total Sewer Utility <u>8,986,342</u>
Water Utility					
	04/23/08	05/01/27	2.37	7,743,344	1,527,342
	06/27/18	05/01/38	1.87	6,789,348	5,227,511
					Total Water Utility <u>6,754,853</u>
					Total business-type activities, revenue debt <u>\$ 15,741,195</u>

Debt service requirements to maturity are as follows:

Years	Business-Type Activities Revenue Debt	
	Principal	Interest
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	992,113	195,885
2030-2034	4,934,631	653,523
2035-2039	3,541,750	224,946
2040-2042	637,163	20,694
Total	\$ 15,741,195	\$ 2,154,739

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

The City's outstanding revenue bonds from direct borrowings and/or direct placements related to business type-activities of \$15,741,195 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 total OPEB liability, net pension liability and net OPEB liability are not included in the debt service requirement schedules. The 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, 2024, both the sewer enterprise fund and water enterprise fund were in compliance with revenue bond compliance.

Lease Disclosures

Lessor - Lease Receivables

<u>Governmental Activities</u>					<u>Receivable Balance December 31, 2024</u>
<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>		
South Milwaukee Industrial Museum, LLC	08/01/21	07/31/41	4.0%	\$ 65,280	
Skyline Catering, Inc.	08/01/21	12/31/30	3.0	399,600	
South Milwaukee Yacht Club	01/01/04	12/31/28	3.5	85,101	
T-Mobile	04/15/08	12/31/33	3.5	334,419	
Charter Communications	05/01/13	12/31/32	3.5	<u>102,890</u>	
Total governmental activities				<u>\$ 987,290</u>	

<u>Business-Type Activities</u>					<u>Receivable Balance December 31, 2024</u>
<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>		
VoiceStream PCS II Corp - Water Tower Communications	08/01/00	07/31/25	5.0%	\$ 46,101	
Total business-type activities				<u>\$ 46,101</u>	

The City recognized \$71,475 of lease revenue during the fiscal year.

The City recognized \$42,982 of interest revenue during the fiscal year.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2024, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 2,988,589
Construction in progress	309,230
Intangible assets	33,758
Other capital assets, net of accumulated depreciation	25,031,393
Less related long-term debt outstanding (net of unspent proceeds of debt)	<u>(24,030,628)</u>
 Total net investment in capital assets	 <u>\$ 4,332,342</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2024, include the following:

Nonspendable

Major Funds:

General Fund:

Delinquent personal property taxes	\$ 1,475
Insurance contingencies	<u>510,278</u>
 Total	 <u>\$ 511,753</u>

Nonmajor Funds:

Special Revenue Fund:

Lead Service Line	\$ 49,411
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Capital Project Fund:

Equipment	<u>579,330</u>
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Total nonmajor funds

\$ 628,741

Restricted

Major Funds:

Special Revenue Fund, Tax Incremental District Funds	\$ 632,245
Special Revenue Fund, American Rescue Plan Act	185,829
Capital Projects Fund, Public works projects	5,412,835
Capital Projects Fund, TID No. 5	6,473,526
Debt Service	1,448,002
Special Revenue Fund, Bucyrus	<u>7,947,538</u>

Total

\$ 22,099,975

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

Nonmajor Funds:

Special Revenue Funds:

Police	\$ 213,888
Library	<u>409,295</u>

Subtotal

623,183

Capital Project Funds:

Equipment	1,399,878
Special Assessment and Interest	339,716
TID #1	465,962
TID #3	<u>727,192</u>

Subtotal

2,932,748

Total

\$ 25,655,906

Committed

Major Funds:

General Fund:	
Stabilization arrangement	\$ 6,420,291

Capital Projects Fund:

Public works projects	<u>5,244,868</u>
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Subtotal

11,665,159

Nonmajor Funds:

Special Revenue Funds:

Recycling program	541,802
School Liaison Police Program	165,525
Health	932,161
Fire	66,109
General government	292,189
Health consortium	<u>93,466</u>

Subtotal

2,091,252

Total

\$ 13,756,411

Assigned

Major Fund:

General Fund:	
Equipment acquisitions	\$ 983,782
Insurance reserve	887,500
OPEB	200,000
Paramedic	2,391,058
Projected retirements	330,086
Referendum Officer	<u>473,477</u>

Subtotal

5,265,903

Nonmajor Fund:

Capital Project Fund:

Special Revenue Fund, Economic Development	<u>1,097,439</u>
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Total

\$ 6,363,342

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

Unassigned, (Deficit)

Nonmajor Funds:

 Special Revenue Fund:

 Lead Service Line

 City Sealer

 \$ (718,957)

(902)

 Total

 \$ (719,859)

 Capital Projects Fund:

 TID #2

(11,541)

 Total

 \$ (731,400)

Business-Type Activities

Net investment in capital assets:

 Land

 \$ 16,596

 Construction in progress

 374,307

 Intangible asset

 110,000

 Other capital assets, net of accumulated depreciation

 47,360,932

 Less long-term debt outstanding

 (20,137,210)

 Plus unspent capital related debt proceeds

 160,259

 Less unamortized debt premium

 (214,163)

 Total net investment in capital assets

 \$ 27,670,721

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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 a retirement benefit based on a formula factor, their final 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 %
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
2023	1.6	(21.0)

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

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 \$1,258,455 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2024 are:

Employee Category	Employee	Employer
General (Executives & Elected Officials)	6.80 %	6.80 %
Protective with Social Security	6.80	13.20
Protective without Social Security	6.80	18.10

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

At December 31, 2024, the City reported a liability of \$1,376,219 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023. 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, 2023, the City's proportion was 0.09256219%, which was an increase of 0.00076564% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2024, the City recognized pension expense (revenue) of \$802,433.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 5,548,906	\$ 7,349,560
Changes in assumptions	599,853	-
Net differences between projected and actual earnings on pension plan investments	4,795,905	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,852	815
Employer contributions subsequent to the measurement date	<u>1,373,044</u>	-
Total	<u>\$ 12,334,560</u>	<u>\$ 7,350,375</u>

\$1,373,044 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, 2025. 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)
2025	\$ 741,323
2026	777,683
2027	3,014,200
2028	(922,065)

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2022
Measurement Date of Net Pension Liability (Asset):	December 31, 2023
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, 2023 is based upon a roll-forward of the liability calculated from the December 31, 2022 actuarial valuation.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2023			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %**
Public Equity	40	7.3	4.5
Public Fixed Income	27	5.8	3.0
Inflation Sensitive	19	4.4	1.7
Real Estate	8	5.8	3.0
Private Equity/Debt	18	9.6	6.7
Leverage***	(12)	3.7	1.0
Total Core Fund	100	7.4	4.6
Variable Fund Asset			
U.S. Equities	70	6.8	4.0
International Equities	30	7.6	4.8
Total Variable Fund	100	7.3	4.5

* 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: 2.7%

*** The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used subject to an allowable range of up to 20%.

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

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 3.77% (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, 2023. 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)	\$ 13,301,832	\$ 1,376,219	\$ (6,968,635)

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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2024. A total liability of approximately \$73,385 at December 31, 2024, 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
2023	\$ 77,370	\$ 461,908	\$ 465,893	\$ 73,385
2024	73,385	519,526	519,526	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.

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

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, 2024, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	36
Active plan members	<u>127</u>
Total	<u><u>163</u></u>

Total OPEB Liability

The City's total OPEB liability of \$27,465,836 was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2024.

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 2023, decreasing to an ultimate rate 4.0% for 2032 and later years
Healthcare participation rate	100% of projected health insurance premiums for retirees

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

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

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2015-April 30, 2017.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at January 1, 2024	<u>\$ 28,567,972</u>
Changes for the year:	
Service cost	1,114,547
Interest	1,101,984
Differences between expected and actual experience	(2,081,925)
Other	(59,298)
Benefit payments	<u>(1,177,444)</u>
Net changes	<u>(1,102,136)</u>
Balances at December 31, 2024	<u>\$ 27,465,836</u>

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 (2.26%) or 1-percentage-point higher (4.26%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 30,748,003	\$ 27,465,836	\$ 24,721,999

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

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

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 24,532,485	\$ 27,465,836	\$ 30,918,292

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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

For the year ended December 31, 2024, the City recognized OPEB expense of \$1,651,462. At December 31, 2024, 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	\$ 688,264	\$ 3,716,377
Changes of assumptions or other inputs	<u>3,675,557</u>	<u>4,666,147</u>
Total	<u>\$ 4,363,821</u>	<u>\$ 8,382,524</u>

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:	Amount
2025	\$ (565,069)
2026	(565,068)
2027	(335,405)
2028	(696,260)
2029	(369,769)
Thereafter	(1,487,132)

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.

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

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, 2024 are:

Coverage Type	Employer Contribution
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:

Life Insurance Member Contribution Rates* for the Plan Year		
Attained Age	Basic	Supplemental
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 \$3,627 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, 2024, the City reported a liability of \$818,834 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 rolled forward to December 31, 2023. 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, 2023, the City's proportion was 0.17798200%, which was an decrease of 0.00791200% from its proportion measured as of December 31, 2022.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

For the year ended December 31, 2024, the City recognized OPEB expense (revenue) of \$43,663.

At December 31, 2024, 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	\$ -	\$ 72,469
Net differences between projected and actual earnings on plan investments	11,062	-
Changes in actuarial assumptions	256,138	322,439
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,246	76,735
Employer contributions subsequent to the measurement date	<u>7,378</u>	<u>-</u>
Total	\$ 279,824	\$ 471,643

\$7,378 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, 2025. 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)
2025	\$ (23,313)
2026	(13,368)
2027	(44,886)
2028	(66,757)
2029	(55,351)
Thereafter	4,478

City of South Milwaukee

Notes to Financial Statements
December 31, 2024

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, 2023
Measurement Date of Net OPEB Liability (Asset)	December 31, 2023
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*	3.26%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.32%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.10%-5.6%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO 20-Bond Municipal 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, 2023 is based upon a roll-forward of the liability calculated from the January 1, 2023 actuarial valuation.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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, 2023**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interim Credit	40.00%	2.32%
U.S. Mortgages	Bloomberg U.S. MBS	60.00	2.52
Inflation			2.30
Long-Term Expected Rate of Return			4.25

Single Discount Rate

A single discount rate of 3.32% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.76% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023. 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.

City of South Milwaukee

Notes to Financial Statements

December 31, 2024

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 3.32%, 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 (2.32%) or 1-percentage-point higher (4.32%) than the current rate:

	1% Decrease to Discount Rate (2.32%)	Current Discount Rate (3.32%)	1% Increase to Discount Rate (4.32%)
City's proportionate share of the net OPEB liability (asset)	\$ 1,100,217	\$ 818,834	\$ 604,047

Subsequent Events

On December 11, 2024, and May 28, 2025 the South Milwaukee Water Utility and City of South Milwaukee issued DNR Safe Drinking Water Loan Program (SDWLP) Bonds with respective maximum loan amounts of \$9,359,668 and \$1,477,213 for the lead service lateral replacement and transmission main projects. As of September 9, 2025, \$1,558,642 of these amounts have been received.

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

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, 2024

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 9,896,858	\$ 9,894,380	\$ (2,478)
Intergovernmental	5,427,331	5,389,754	(37,577)
Licenses and permits	360,500	762,411	401,911
Fines, forfeitures and penalties	305,000	301,173	(3,827)
Public charges for services	1,629,807	1,478,458	(151,349)
Interdepartmental revenues	722,078	724,701	2,623
Investment income	225,000	1,625,223	1,400,223
Miscellaneous	118,457	142,008	23,551
 Total revenues	 18,685,031	 20,318,108	 1,633,077
Expenditures			
Current:			
General government	3,485,052	3,252,638	232,414
Public safety	9,790,041	9,487,163	302,878
Public works	4,003,304	3,651,438	351,866
Health and sanitation	655,116	606,078	49,038
Parks and recreation	218,905	197,295	21,610
Conservation and development	379,307	358,664	20,643
Other	102,582	98,888	3,694
 Total expenditures	 18,634,307	 17,652,164	 982,143
 Excess of revenues over expenditures	 50,724	 2,665,944	 2,615,220
Other Financing Sources (Uses)			
Transfer in	809,728	3,480,528	2,670,800
Transfer (out)	(860,452)	(938,866)	(78,414)
 Net change in fund balance	 \$ -	 5,207,606	 \$ 5,207,606
Adjustments to Generally Accepted Accounting Principles Basis			
Revenue credited to designated funds		156,594	
Expenditures credited to designated funds		(462,993)	
 Net change in fund balance, generally accepted accounting principles basis	 4,901,207		
Fund Balances, Beginning			
 Fund Balances, Ending	 \$ 12,197,947		

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, 2024

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 %
12/31/23	0.092562190 %	1,376,219	11,224,995	12.26%	98.85 %

Schedule of Employer Contributions - Wisconsin Retirement System

Year Ended December 31, 2024

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 %
12/31/24	1,373,044	1,373,044	-	11,560,916	11.88 %

City of South Milwaukee

Schedule of Changes in the Total OPEB Liability and Related Ratios -
 Other Postemployment Benefits Liability - Health
 Year Ended December 31, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 1,114,547	\$ 1,636,675	\$ 1,325,972	\$ 1,014,634	\$ 985,082	\$ 982,734	\$ 1,077,152
Interest	1,101,984	1,014,658	644,476	774,481	837,382	1,073,395	942,022
Differences between expected and actual experience	(2,081,925)	(128,220)	943,972	(171,396)	(2,938,405)	(1,018,415)	-
Changes of assumptions	(59,298)	1,469,056	(6,138,105)	2,238,542	-	2,603,282	-
Benefit payments	(1,177,444)	(1,070,404)	(1,089,658)	(1,045,298)	(1,190,769)	(1,046,087)	(1,386,619)
Net change in total OPEB liability	(1,102,136)	2,921,765	(4,313,343)	2,810,963	(2,306,710)	2,594,909	632,555
Total OPEB Liability, Beginning	28,567,972	25,646,207	29,959,550	27,148,587	29,455,297	26,860,388	26,227,833
Total OPEB Liability, Ending	\$ 27,465,836	\$ 28,567,972	\$ 25,646,207	\$ 29,959,550	\$ 27,148,587	\$ 29,455,297	\$ 26,860,388
Covered-Employee Payroll	\$10,708,663	\$ 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	256.50%	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, 2024

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%
12/31/23	0.17798200%	818,834	9,874,000	8.29%	33.90%

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

Year Ended December, 2024

City Fiscal Year End	Contributions in Relation to the Contractually Required Contributions			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions					
12/31/18	\$ 6,452	\$ 6,452	\$ 6,452	\$ -	\$ 9,906,348	0.07%
12/31/19	7,150	7,150	7,150	-	10,117,264	0.07%
12/31/20	7,583	7,583	7,583	-	10,260,075	0.07%
12/31/21	8,000	8,000	8,000	-	10,393,490	0.08%
12/31/22	7,320	7,320	7,320	-	10,709,676	0.07%
12/31/23	7,955	7,955	7,955	-	11,224,995	0.07%
12/31/24	7,378	7,378	7,378	-	11,560,916	0.06%

City of South Milwaukee

Notes to Required Supplementary Information
Year Ended December 31, 2024

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

City of South Milwaukee

Notes to Required Supplementary Information
Year Ended December 31, 2024

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. There were no changes in assumptions for the City.

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, 2024

	Special Revenue Funds										
	Library	Recycling	Paramedic	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government		Police	Health
								Block Grant	Health Consortium		
Assets											
Cash and investments	\$ 451,048	\$ 579,860	\$ -	\$ 169,082	\$ -	\$ 100,191	\$ -	\$ 298,904	\$ 216,735	\$ 853,151	
Receivables:											
Taxes	-	702,408									-
Accounts	1,939	-	-	-	-	-	-	-	-	1,857	88,776
Special assessments	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Prepaid	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 452,987	\$ 1,282,268	\$ -	\$ 169,082	\$ -	\$ 100,191	\$ -	\$ 298,904	\$ 218,592	\$ 941,927	
Liabilities Deferred Inflows of Resources and Fund Balances (Deficits)											
Liabilities											
Accounts payable	\$ 41,838	\$ 37,826	\$ -	\$ -	\$ -	\$ 182	\$ -	\$ 6,715	\$ 4,704	\$ 3,755	
Accrued payroll	-	232	-	3,557	-	6,543	470	-	-	-	6,011
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	1,854	-	-	-	-	-	432	-	-	-	-
Total liabilities	43,692	38,058	-	3,557	-	6,725	902	6,715	4,704	9,766	
Deferred Inflows of Resources											
Unearned revenues	-	702,408	-	-	-	-	-	-	-	-	-
Unavailable revenues	-	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	702,408	-	-	-	-	-	-	-	-	-
Fund Balances (Deficits)											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	409,295	-	-	-	-	-	-	-	213,888	-	-
Committed	-	541,802	-	165,525	-	93,466	-	292,189	-	932,161	
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(902)	-	-	-	-
Total fund balances (Deficits)	409,295	541,802	-	165,525	-	93,466	(902)	292,189	213,888	932,161	
Total liabilities, deferred inflows of resources and fund balances (Deficits)	\$ 452,987	\$ 1,282,268	\$ -	\$ 169,082	\$ -	\$ 100,191	\$ -	\$ 298,904	\$ 218,592	\$ 941,927	

City of South Milwaukee

Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2024

	Special Revenue Funds					Capital Projects Funds					Total Nonmajor Funds
	Fire	Referendum Officer	Economic Development	Lead Service Line	Equipment	Special Assessment and Interest	Increment District #1	Tax Increment District #2	Tax Increment District #3		
Assets											
Cash and investments	\$ 69,789	\$ -	\$ 1,103,083	\$ 121	\$ 1,399,878	\$ 338,814	\$ 465,962	\$ -	\$ 727,192	\$ 6,773,810	
Receivables:											
Taxes	-	-	-	176,785	-	3,497	-	-	-	882,690	
Accounts	1,000	-	-	-	-	-	-	-	-	93,572	
Special assessments	-	-	-	-	-	33,139	-	-	-	33,139	
Inventory	-	-	-	49,411	-	-	-	-	-	49,411	
Prepaid	-	-	-	-	579,330	-	-	-	-	579,330	
Due from other funds	-	-	-	450	-	-	-	-	-	450	
Total assets	\$ 70,789	\$ -	\$ 1,103,083	\$ 226,767	\$ 1,979,208	\$ 375,450	\$ 465,962	\$ -	\$ 727,192	\$ 8,412,402	
Liabilities Deferred Inflows of Resources and Fund Balances (Deficits)											
Liabilities											
Accounts payable	\$ -	\$ -	\$ 3,720	\$ 26,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,632	
Accrued payroll	-	-	1,924	-	-	-	-	-	-	18,737	
Unearned revenue	4,680	-	-	-	-	-	-	-	-	4,680	
Due to other funds	-	-	-	692,771	-	-	-	11,541	-	706,598	
Total liabilities	4,680	-	5,644	719,663	-	-	-	11,541	-	855,647	
Deferred Inflows of Resources											
Unearned revenues	-	-	-	176,650	-	-	-	-	-	879,058	
Unavailable revenues	-	-	-	-	-	35,734	-	-	-	35,734	
Total deferred inflows of resources	-	-	-	176,650	-	35,734	-	-	-	914,792	
Fund Balances (Deficits)											
Nonspendable	-	-	-	49,411	579,330	-	-	-	-	628,741	
Restricted	-	-	-	-	1,399,878	339,716	465,962	-	727,192	3,555,931	
Committed	66,109	-	-	-	-	-	-	-	-	2,091,252	
Assigned	-	-	1,097,439	-	-	-	-	-	-	1,097,439	
Unassigned	-	-	-	(718,957)	-	-	-	(11,541)	-	(731,400)	
Total fund balances (Deficits)	66,109	-	1,097,439	(669,546)	1,979,208	339,716	465,962	(11,541)	727,192	6,641,963	
Total liabilities, deferred inflows of resources and fund balances (Deficits)	\$ 70,789	\$ -	\$ 1,103,083	\$ 226,767	\$ 1,979,208	\$ 375,450	\$ 465,962	\$ -	\$ 727,192	\$ 8,412,402	

City of South Milwaukee

Combing Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended December 31, 2024

	Special Revenue Funds										
				School Liaison	Community Development	Block Grant	Health Consortium	City Sealer	General Government	Police	Health
	Library	Recycling	Paramedic	Police Program							
Revenues											
Intergovernmental	\$ 5,507	\$ 81,839	\$ -	\$ 79,282	\$ 75,000	\$ 22,200	\$ 1,038	\$ 10,742	\$ 172,827	\$ 533,255	
Public charges for services	25,508	614,982	-	-	-	148,434	5,153	-	-	-	-
Public improvement revenues	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	22,147	-	-	-	-	-	-	-	72,696	6,250	100
Total revenues	53,162	696,821	-	79,282	75,000	170,634	6,191	83,438	179,077	533,355	
Expenditures											
Current:											
General government	-	-	-	-	-	-	-	18,371	-	-	-
Public safety	-	-	-	248,734	-	-	-	-	52,269	-	-
Public works	-	727,681	-	-	-	-	6,870	-	-	-	-
Health and social services	-	-	-	-	75,000	147,124	-	-	-	525,142	
Conservation and development	-	-	-	-	-	-	-	-	-	-	-
Library	619,254	-	-	-	-	-	-	-	-	-	-
Capital outlay	44,538	-	-	-	-	-	-	-	1,560	-	-
Debt service:											
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	663,792	727,681	-	248,734	75,000	147,124	6,870	18,371	53,829	525,142	
Excess (deficiency) of revenues over expenditures	(610,630)	(30,860)	-	(169,452)	-	23,510	(679)	65,067	125,248	8,213	
Other Financing Sources (Uses)											
Debt issued	-	-	-	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-	-
Transfer in	667,422	-	-	175,630	-	17,400	-	53,414	-	-	-
Transfer (out)	-	-	(2,391,058)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	667,422	-	(2,391,058)	175,630	-	17,400	-	53,414	-	-	-
Net change in fund balances	56,792	(30,860)	(2,391,058)	6,178	-	40,910	(679)	118,481	125,248	8,213	
Fund Balances (Deficit), Beginning	352,503	572,662	2,391,058	159,347	-	52,556	(223)	173,708	88,640	923,948	
Fund Balances (Deficit), Ending	\$ 409,295	\$ 541,802	\$ -	\$ 165,525	\$ -	\$ 93,466	\$ (902)	\$ 292,189	\$ 213,888	\$ 932,161	

City of South Milwaukee

Combing Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended December 31, 2024

	Special Revenue Funds					Capital Projects Funds					Total Nonmajor Funds
	Fire	Referendum Officer	Economic Development	Lead Service Line	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3		
Revenues											
Intergovernmental	\$ 30,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012,540
Public charges for services	-	-	-	-	-	-	-	-	-	-	794,077
Public improvement revenues	-	-	-	-	-	8,292	-	-	-	-	8,292
Investment income	-	-	-	-	17,790	14,053	59,413	-	73,565	164,821	
Miscellaneous	-	-	150,746	135,423	1,500	-	-	-	-	-	388,862
Total revenues	30,850	-	150,746	135,423	19,290	22,345	59,413	-	73,565	2,368,592	
Expenditures											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	18,371
Public safety	10,972	-	-	-	-	-	-	-	-	-	311,975
Public works	-	-	-	909,413	-	-	-	-	-	-	1,643,964
Health and social services	-	-	-	-	-	-	-	-	-	-	747,266
Conservation and development	-	-	98,532	-	-	-	-	-	-	-	98,532
Library	-	-	-	-	-	-	-	-	-	-	619,254
Capital outlay	-	-	-	-	652,259	-	11,541	11,541	11,541	11,541	732,980
Debt service:											
Interest and fiscal charges	-	-	-	-	55,933	-	-	-	-	-	55,933
Total expenditures	10,972	-	98,532	909,413	708,192	-	11,541	11,541	11,541	11,541	4,228,275
Excess (deficiency) of revenues over expenditures	19,878	-	52,214	(773,990)	(688,902)	22,345	47,872	(11,541)	62,024	(1,859,683)	
Other Financing Sources (Uses)											
Debt issued	-	-	-	-	2,431,900	-	-	-	-	-	2,431,900
Premium on debt issuance	-	-	-	-	236,210	-	-	-	-	-	236,210
Transfer in	-	-	25,000	104,444	-	-	-	636,006	-	-	1,679,316
Transfer (out)	(2,331)	(473,477)	-	-	-	-	-	(636,006)	-	-	(3,502,872)
Total other financing sources (uses)	(2,331)	(473,477)	25,000	104,444	2,668,110	-	-	-	-	-	844,554
Net change in fund balances	17,547	(473,477)	77,214	(669,546)	1,979,208	22,345	47,872	(11,541)	62,024	(1,015,129)	
Fund Balances (Deficit), Beginning	48,562	473,477	1,020,225	-	-	317,371	418,090	-	665,168	7,657,092	
Fund Balances (Deficit), Ending	\$ 66,109	\$ -	\$ 1,097,439	\$ (669,546)	\$ 1,979,208	\$ 339,716	\$ 465,962	\$ (11,541)	\$ 727,192	\$ 6,641,963	