

CITY OF PORT WASHINGTON, WISCONSIN
GOVERNANCE COMMUNICATIONS
DECEMBER 31, 2025



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**CITY OF PORT WASHINGTON, WISCONSIN
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DECEMBER 31, 2025**

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City Council and Management
City of Port Washington
Port Washington, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Port Washington as of and for the year ended December 31, 2025, and have issued our report thereon dated April 27, 2026. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement letter dated December 15, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Port Washington are described in Note 1 to the financial statements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was other postemployment benefits.

Management's estimate of the other postemployment benefits payable and related deferred inflows and deferred outflows of resources is based on assumptions provided and used in the actuarial valuation including: inflation, cost trend rates, participation rates, and mortality rates.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The water utility and business-type activities did not record subscription assets and liabilities in the amounts of \$107,043 and 101,731, respectively. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements under audit.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated April 27, 2026.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the general fund detailed comparison of budgeted and actual revenues and expenditures and the nonmajor fund combining statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated April 27, 2026.

* * *

This communication is intended solely for the information and use of the City Council and management of City of Port Washington and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 27, 2026

Governmental Fund Balances

Presented below is a summary of the City's governmental fund balances on December 31, 2025 and 2024. This information is provided for assessing financial results for 2025 and for indicating financial resources available at the start of the 2026 budget year.

	<u>2025</u>	<u>2024</u>
General Fund:		
Nonspendable for:		
Prepaid Items	\$ 38,113	\$ 46,245
Delinquent Taxes	14,294	8,484
Unassigned	3,637,905	3,638,478
Total General Fund Balance	<u>3,690,312</u>	<u>3,693,207</u>
Debt Service Fund	4,961,457	389,569
Special Revenue Funds:		
Library	366,422	290,198
Revolving Loan	926,019	896,720
ARPA Fund	54,059	59,609
Open Spaces	564,534	440,443
Tree Replacement	119,725	149,193
Recycling/Garbage	12,169	42,710
Total Special Revenue Funds	<u>2,042,928</u>	<u>1,878,873</u>
Capital Projects Funds:		
Capital and Special Projects	17,259,224	7,263,620
Tax Incremental District No. 2	445,274	305,955
Tax Incremental District No. 3	343,903	(132,597)
Tax Incremental District No. 4	7,607	5,068
Tax Incremental District No. 5	-	-
Total Capital Projects Funds	<u>18,056,008</u>	<u>7,442,046</u>
Total Governmental Fund Balances	<u>\$ 28,750,705</u>	<u>\$ 13,403,695</u>

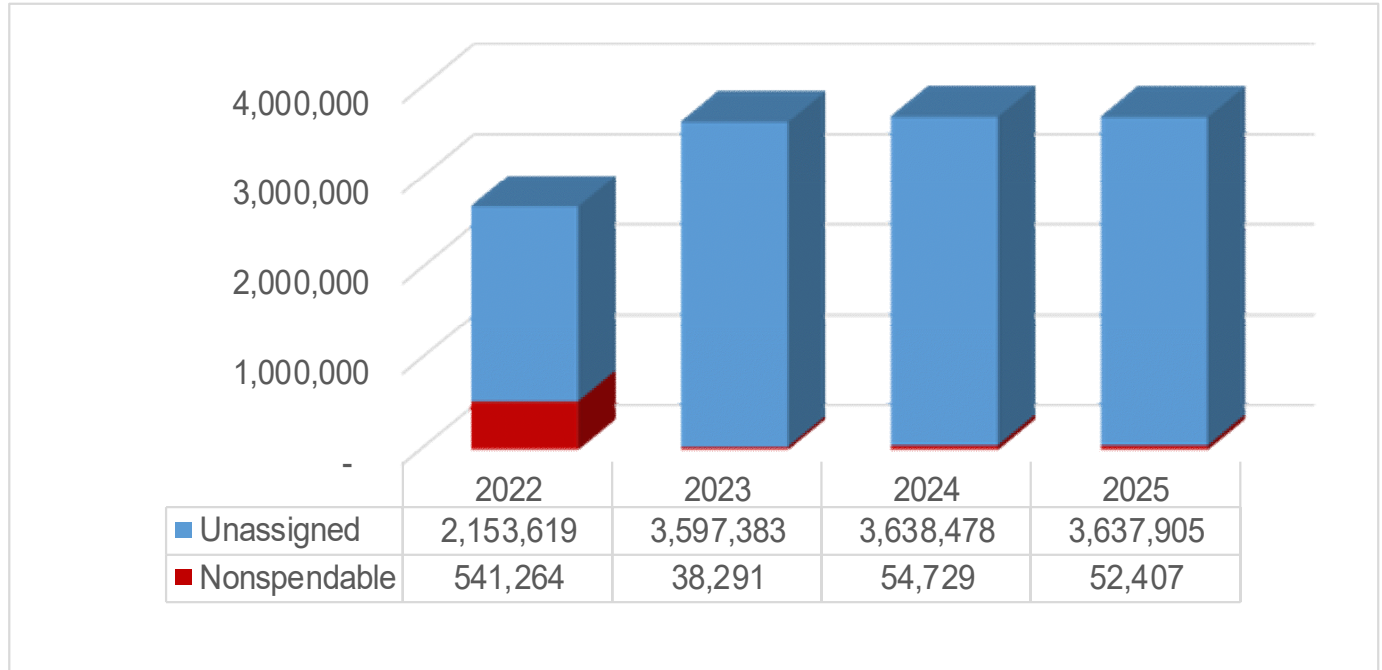
Overall the City's general fund decreased by \$2,895.

Fund balance category definitions:

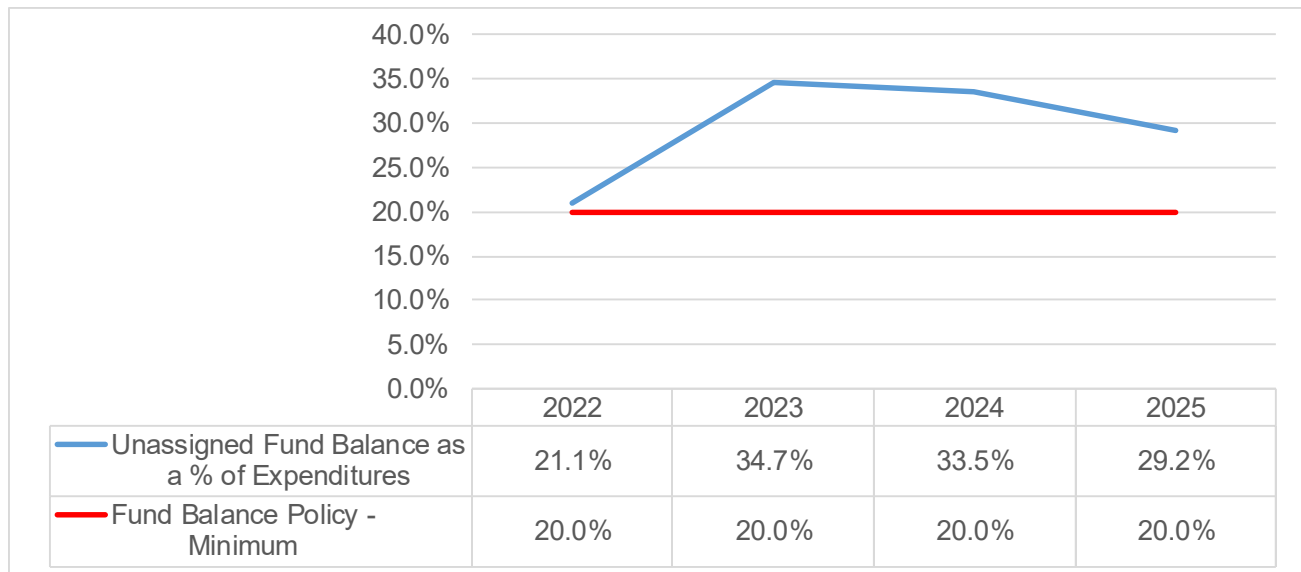
- Nonspendable - amounts that are not in spendable form (such as prepaid items) or are legally or contractually required to remain intact.
- Restricted - amounts that are constrained for specific purposes by external parties (such as grantor or bondholders).
- Committed - amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them (resolution).
- Assigned - spendable amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as either restricted or committed.
- Unassigned – residual amounts that have not been classified within other categories above.

Following is a fund balance analysis of the General Fund for fiscal years 2021 through 2025. This information is presented to assist City management in assessing fund balance levels at the end of fiscal year and the trend over the past several years.

General Fund Balance



Unassigned Fund Balance as a Percentage of Actual Expenditures



Wastewater Operating Results

A comparative summary of the Wastewater Utility's operating results for the years ended December 31, 2025 and 2024, appears below.

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Charges for Services	\$ 3,334,108	\$ 2,961,315
Other	26,214	13,673
Total Operating Revenues	<u>3,360,322</u>	<u>2,974,988</u>
Operating Expenses:		
Operation and Maintenance	1,589,138	1,581,342
Depreciation	902,380	870,243
Total Operating Expenses	<u>2,491,518</u>	<u>2,451,585</u>
Operating Income	868,804	523,403
Nonoperating Revenues (Expenses):		
Interest Income	297,440	322,170
Interest and Fiscal Charges	(156,058)	(76,886)
Nonoperating Grants	313,215	-
Other	-	1,659
Total Nonoperating Revenues (Expenses)	<u>454,597</u>	<u>246,943</u>
Income Before Contributions and Transfers	1,323,401	770,346
Capital Contributions	157,735	514,950
Transfers Out	<u>(12,179)</u>	<u>(9,488)</u>
Change in Net Position	1,468,957	1,275,808
Net Position - January 1	<u>21,153,466</u>	<u>19,877,658</u>
Net Position - December 31	<u>\$ 22,622,423</u>	<u>\$ 21,153,466</u>

The Wastewater Utility reported operating income of \$868,804 compared to \$523,403 for the prior year.

Cash and Investments

	<u>2025</u>	<u>2024</u>
Cash and Investment Balances:		
Unrestricted	\$ 6,867,927	\$ 4,391,443
Restricted	2,204,910	1,800,524
Total	<u>\$ 9,072,837</u>	<u>\$ 6,191,967</u>

Cash and investments increased \$2,880,870 during the current fiscal year.

Water Utility Operating Results

A comparative summary of the Water Utility's operating results for the years ended December 31, 2025 and 2024, appears below.

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Charges for Services	\$ 4,547,226	\$ 4,231,055
Other	650,414	208,370
Total Operating Revenues	<u>5,197,640</u>	<u>4,439,425</u>
Operating Expenses:		
Operation and Maintenance	2,584,237	2,220,635
Depreciation	668,702	616,168
Total Operating Expenses	<u>3,252,939</u>	<u>2,836,803</u>
Operating Income	1,944,701	1,602,622
Nonoperating Revenues (Expenses):		
Interest Income	93,093	245,092
Interest and Fiscal Charges	<u>(286,509)</u>	<u>(179,314)</u>
Total Nonoperating Revenues (Expenses)	<u>(193,416)</u>	<u>65,778</u>
Income Before Capital Contributions and Transfers	1,751,285	1,668,400
Capital Contributions	127,970	353,940
Transfers Out	<u>(451,461)</u>	<u>(433,413)</u>
Change in Net Position	1,427,794	1,588,927
Net Position - January 1	<u>23,237,295</u>	<u>21,648,368</u>
Net Position - December 31	<u>\$ 24,665,089</u>	<u>\$ 23,237,295</u>

The Water Utility reported an operating income of \$1,944,701 compared to \$1,602,622 for the prior year.

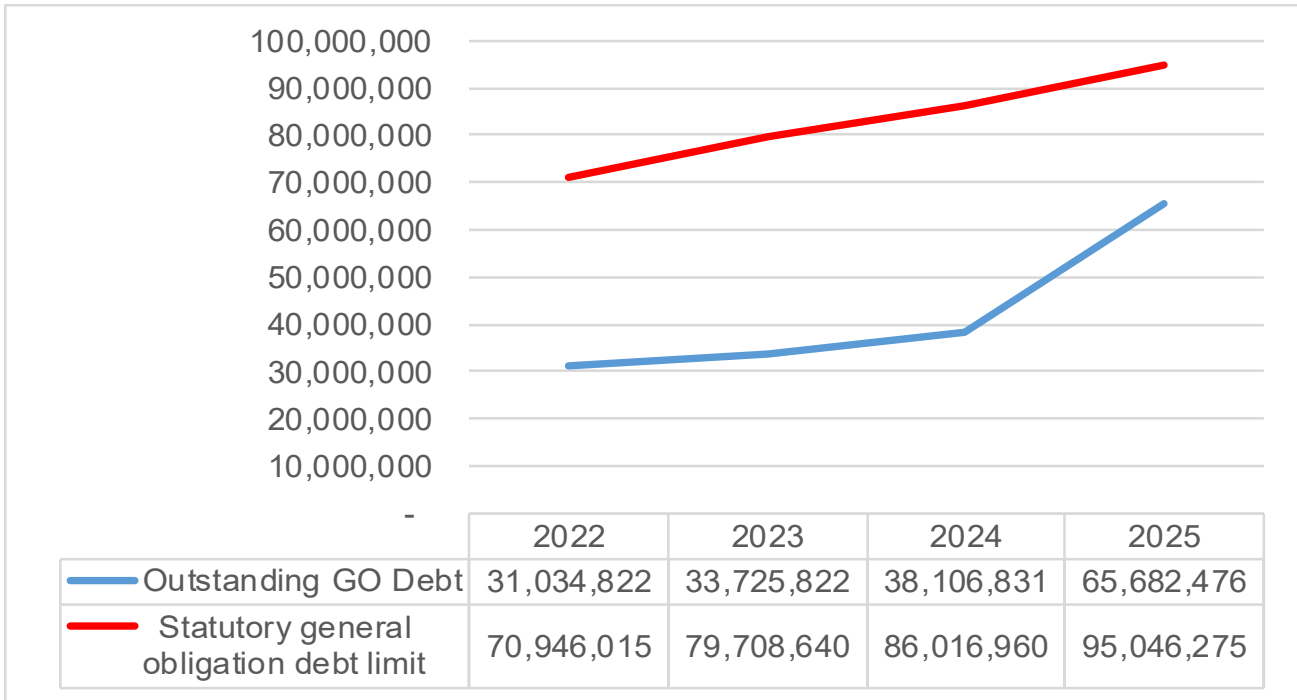
Cash and Investments

	<u>2025</u>	<u>2024</u>
Cash and Investment Balances:		
Unrestricted	\$ 2,319,055	\$ 3,675,968
Restricted	1,612,926	1,548,710
Total	<u>\$ 3,931,981</u>	<u>\$ 5,224,678</u>

Cash and investments decreased \$1,292,697 during the current fiscal year.

General Obligation Debt

Presented below is a comparison of the City's outstanding GO debt compared to the statutory debt limit.



The City's general obligation debt limitation was \$95,046,275 and the outstanding general obligation debt totaled \$65,682,476, representing 69% of the City's statutory debt capacity at December 31, 2025.

APPENDIX



April 27, 2026

CliftonLarsonAllen LLP
712 Riverfront Drive, Suite 301
Sheboygan, Wisconsin 53081

This representation letter is provided in connection with your audit of the financial statements of City of Port Washington, which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, 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.

We confirm, to the best of our knowledge and belief, as of April 27, 2026, the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2025.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated December 15, 2025, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. The water utility and business-type activities did not record subscription assets and liabilities in the amounts of \$107,043 and 101,731, respectively. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
12. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date, and the carrying amounts of those receivables and related allowances are determined in accordance with U.S. GAAP.
13. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
14. We have appropriately identified, recorded, and disclosed all leases, including any material embedded leases contained within other contracts, in accordance with GASB Statement No. 87, Leases.

15. We have appropriately identified, recorded, and disclosed all subscription-based information technology arrangements in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.
16. We have properly identified the various types of leave and have recorded a liability for compensated absences in accordance with the requirements of GASB Statement No. 101, *Compensated Absences*.
17. We are not aware of any concentrations or constraints that would require disclosure in accordance with GASB Statement No. 102, *Certain Risk Disclosures*.
18. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
19. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
20. Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
21. Direct borrowings and direct placements of debt have been properly separated from other debt and unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance related consequences, and significant subjective acceleration clauses have been properly disclosed.
22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to City of Port Washington, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant

agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
16. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
19. The financial statements properly classify all funds and activities.
20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
21. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
22. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
23. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
24. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
25. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
26. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

27. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
28. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
29. We have appropriately disclosed the entity's use of unrestricted fund balance amounts, and we reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance categories could be used.
30. We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, including our evaluation of the likelihood that those plans can be effectively implemented.
31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
32. We acknowledge our responsibility for presenting the general fund detailed comparison of budgeted and actual revenues and expenditures and the nonmajor fund combining statements (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

33. In regards to the adjusting journal entries, preparation of financial statements including notes, and lease accounting services performed by you, we have:

- a. Made all management judgments and decisions and assumed all management responsibilities.
- b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services.
- e. Ensured that the entity's data and records are complete and received sufficient information to oversee the services.

Signature:  Title: FINANCIAL DIRECTOR