

CITY OF PORT WASHINGTON, WISCONSIN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025



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INDEPENDENT AUDITORS' REPORT

City Council
City of Port Washington
Port Washington, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Port Washington, Wisconsin (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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. 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 the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 schedules relating to pensions and other postemployment benefits 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

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 general fund detailed comparison of budgeted and actual revenues, general fund detailed comparison of budgeted and actual expenditures, and the nonmajor combining financial statements are presented for purposes of additional analysis and are 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 GAAS. In our opinion, general fund detailed comparison of budgeted and actual revenues, general fund detailed comparison of budgeted and actual expenditures, and the nonmajor combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

City Council
City of Port Washington, Wisconsin

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2026, 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.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 27, 2026

BASIC FINANCIAL STATEMENTS

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2025**

	Governmental Activities	Business-Type Activities	Totals	Component Unit BID
ASSETS				
Cash and Investments	\$ 38,691,465	\$ 10,112,870	\$ 48,804,335	\$ 7,746
Receivables:				
Taxes and Special Charges	5,198,389	-	5,198,389	-
Delinquent Taxes	14,294	-	14,294	-
Accounts	2,809,465	1,400,825	4,210,290	-
Leases	373,193	199,309	572,502	-
Loans	408,196	-	408,196	-
Due from Other Governments	2,512,616	-	2,512,616	-
Prepaid Items	38,113	36,483	74,596	-
Restricted and Other Assets:				
Cash and Investments	-	3,817,836	3,817,836	-
Capital Assets, Nondepreciable / Nonamortizable	22,942,859	27,609,360	50,552,219	-
Capital Assets, Depreciable / Amortizable, Net	49,366,074	42,003,212	91,369,286	-
Total Assets	<u>122,354,664</u>	<u>85,179,895</u>	<u>207,534,559</u>	<u>7,746</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	3,622,409	688,505	4,310,914	-
Net Other Postemployment Benefit-Related Amounts	419,192	89,394	508,586	-
Total Deferred Outflows of Resources	<u>4,041,601</u>	<u>777,899</u>	<u>4,819,500</u>	<u>-</u>
LIABILITIES				
Accounts Payable	6,164,174	3,239,497	9,403,671	-
Accrued and Other Current Liabilities	908,439	218,157	1,126,596	-
Due to Other Governments	78,098	-	78,098	-
Accrued Interest Payable	1,229,778	128,086	1,357,864	-
Unearned Revenues	63,618	189,358	252,976	-
Long-Term Obligations:				
Due Within One Year	4,128,983	1,751,967	5,880,950	-
Due in More than One Year	63,142,182	30,165,289	93,307,471	-
Net Pension Liability	600,840	115,872	716,712	-
Net Other Postemployment Benefits Liability:				
Due Within One Year	74,549	18,129	92,678	-
Due in More than One Year	747,276	154,261	901,537	-
Total Liabilities	<u>77,137,937</u>	<u>35,980,616</u>	<u>113,118,553</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	11,530,972	-	11,530,972	-
Lease Related	373,193	199,309	572,502	-
Pension Related Amounts	1,773,757	342,069	2,115,826	-
Other Postemployment Benefit Related Amounts	750,786	157,503	908,289	-
Total Deferred Inflows of Resources	<u>14,428,708</u>	<u>698,881</u>	<u>15,127,589</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	19,785,901	36,158,832	55,944,733	-
Restricted:				
Loan Programs	926,019	-	926,019	-
Library	366,422	-	366,422	-
Tax Incremental District Development	796,784	-	796,784	-
Debt Service	3,731,679	829,027	4,560,706	-
Equipment Replacement	-	1,893,067	1,893,067	-
Unrestricted	9,222,815	10,397,371	19,620,186	7,746
Total Net Position	<u>\$ 34,829,620</u>	<u>\$ 49,278,297</u>	<u>\$ 84,107,917</u>	<u>\$ 7,746</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit BID
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
Governmental Activities:								
General Government	\$ 2,522,566	\$ 161,451	\$ -	\$ -	\$ (2,361,115)	\$ -	\$ (2,361,115)	\$ -
Public Safety	6,055,051	1,371,507	4,203,931	-	(479,613)	-	(479,613)	-
Public Works	4,968,919	244,020	1,009,989	2,322,862	(1,392,048)	-	(1,392,048)	-
Health and Human Services	276,753	-	23,151	-	(253,602)	-	(253,602)	-
Culture and Recreation	3,071,978	392,457	140,621	-	(2,538,900)	-	(2,538,900)	-
Conservation and Development	3,711,230	2,875,900	13,869	-	(821,461)	-	(821,461)	-
Interest and Fiscal Charges	2,100,295	-	-	-	(2,100,295)	-	(2,100,295)	-
Total Governmental Activities	22,706,792	5,045,335	5,391,561	2,322,862	(9,947,034)	-	(9,947,034)	-
Business-Type Activities:								
Water Utility	3,539,448	5,197,640	-	127,970	-	1,786,162	1,786,162	-
Wastewater Utility	2,647,576	3,360,322	-	470,950	-	1,183,696	1,183,696	-
Marina	1,145,048	1,403,430	-	13,009	-	271,391	271,391	-
Total Business-Type Activities	7,332,072	9,961,392	-	611,929	-	3,241,249	3,241,249	-
Total	\$ 30,038,864	\$ 15,006,727	\$ 5,391,561	\$ 2,934,791	(9,947,034)	3,241,249	(6,705,785)	-
Component Unit:								
BID	\$ 77,250	\$ -	\$ -	\$ -	-	-	-	(77,250)
GENERAL REVENUES AND TRANSFERS								
Taxes:								
Property Taxes					8,975,805	-	8,975,805	-
Tax Increments					1,011,513	-	1,011,513	-
Other Taxes					411,860	-	411,860	-
Federal and State Grants and Other Contributions								
not Restricted to Specific Functions					5,058,583	-	5,058,583	-
Interest and Investment Earnings					1,460,686	431,734	1,892,420	110
Miscellaneous					1,878,377	-	1,878,377	78,265
Transfers					513,640	(513,640)	-	-
Total General Revenues and Transfers					19,310,464	(81,906)	19,228,558	78,375
CHANGE IN NET POSITION								
					9,363,430	3,159,343	12,522,773	1,125
Net Position - Beginning of Year								
					25,466,190	46,118,954	71,585,144	6,621
NET POSITION - END OF YEAR								
					\$ 34,829,620	\$ 49,278,297	\$ 84,107,917	\$ 7,746

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Capital and Special Projects</u>	<u>TID No. 5</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Cash and Investments	\$ 6,507,366	\$ 7,900,847	\$ 20,781,160	\$ -	\$ 3,502,092	\$ 38,691,465
Receivables:						
Taxes and Special Charges	1,890,972	2,420,665	-	-	886,752	5,198,389
Delinquent Taxes	14,294	-	-	-	-	14,294
Accounts	225,167	-	35,000	2,269,298	280,000	2,809,465
Leases	373,193	-	-	-	-	373,193
Loans	-	-	-	-	408,196	408,196
Due from Other Funds	-	-	-	-	196,944	196,944
Due from Other Governments	-	-	2,512,616	-	-	2,512,616
Prepaid Items	38,113	-	-	-	-	38,113
Total Assets	\$ 9,049,105	\$ 10,321,512	\$ 23,328,776	\$ 2,269,298	\$ 5,273,984	\$ 50,242,675
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 309,597	\$ -	\$ 3,746,690	\$ 2,072,354	\$ 35,533	\$ 6,164,174
Accrued and Other Current Liabilities	399,309	-	-	-	16,495	415,804
Due to Other Funds	-	-	-	196,944	-	196,944
Due to Other Governments	78,098	-	-	-	-	78,098
Unearned Revenues	23,456	-	-	-	40,162	63,618
Total Liabilities	810,460	-	3,746,690	2,269,298	92,190	6,918,638
DEFERRED INFLOWS OF RESOURCES						
Property Taxes Levied for Subsequent Year	4,108,835	5,360,055	-	-	2,062,082	11,530,972
Lease Related	373,193	-	-	-	-	373,193
Unavailable Revenue	66,305	-	2,322,862	-	280,000	2,669,167
Total Deferred Inflows of Resources	4,548,333	5,360,055	2,322,862	-	2,342,082	14,573,332
FUND BALANCES						
Nonspendable	52,407	-	-	-	-	52,407
Restricted	-	4,961,457	14,017,597	-	2,089,225	21,068,279
Committed	-	-	3,241,627	-	750,487	3,992,114
Unassigned	3,637,905	-	-	-	-	3,637,905
Total Fund Balances	3,690,312	4,961,457	17,259,224	-	2,839,712	28,750,705
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,049,105	\$ 10,321,512	\$ 23,328,776	\$ 2,269,298	\$ 5,273,984	\$ 50,242,675

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
OF THE GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2025**

Total Fund Balances as Shown on Previous Page \$ 28,750,705

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 72,308,933

Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds. 2,669,167

Some deferred outflows and inflows of resources are not reported in the funds.

Deferred Outflows Related to Pensions	3,622,409
Deferred Inflows Related to Pensions	(1,773,757)
Deferred Outflows Related to Other Postemployment Benefits	419,192
Deferred Inflows Related to Other Postemployment Benefits	(750,786)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and Notes Payable	(64,462,476)
Premium on Debt	(2,078,153)
Compensated Absences	(730,536)
Net Pension Liability	(600,840)
Net Other Postemployment Benefit Liability	(821,825)
Other Long-Term Liability - HRA Liability	(492,635)
Accrued Interest on Long-Term Obligations	<u>(1,229,778)</u>

Net Position of Governmental Activities Reported on the Statement of Net Position	<u><u>\$ 34,829,620</u></u>
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CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Capital and Special Projects	TID No. 5	Nonmajor Governmental Funds	Totals
REVENUES						
Taxes	\$ 4,469,065	\$ 4,277,955	\$ 50,000	\$ -	\$ 1,602,158	\$ 10,399,178
Intergovernmental	4,675,023	-	1,231,214	-	318,094	6,224,331
Licenses and Permits	461,605	-	-	-	-	461,605
Fines and Forfeits	71,968	-	-	-	-	71,968
Public Charges for Services	1,356,999	-	-	-	256,662	1,613,661
Intergovernmental Charges for Services	58,089	-	-	-	126,848	184,937
Miscellaneous	1,295,795	4,006,525	1,467,756	2,873,900	364,269	10,008,245
Total Revenues	<u>12,388,544</u>	<u>8,284,480</u>	<u>2,748,970</u>	<u>2,873,900</u>	<u>2,668,031</u>	<u>28,963,925</u>
EXPENDITURES						
Current:						
General Government	1,946,911	-	-	-	4,633	1,951,544
Public Safety	6,064,292	-	-	-	73,897	6,138,189
Public Works	2,926,891	-	-	-	293,808	3,220,699
Health and Human Services	-	-	-	-	185,925	185,925
Culture and Recreation	1,393,032	-	-	-	760,626	2,153,658
Conservation and Development	140,427	-	-	2,873,900	537,289	3,551,616
Debt Service:						
Principal	-	3,994,355	-	-	-	3,994,355
Interest and Fiscal Charges	-	1,045,223	269,547	-	-	1,314,770
Capital Outlay	-	-	24,888,936	-	30,036	24,918,972
Total Expenditures	<u>12,471,553</u>	<u>5,039,578</u>	<u>25,158,483</u>	<u>2,873,900</u>	<u>1,886,214</u>	<u>47,429,728</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,009)	3,244,902	(22,409,513)	-	781,817	(18,465,803)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	-	-	31,800,000	-	-	31,800,000
Premium on Debt Issued	-	-	1,163,603	-	-	1,163,603
Proceeds from Sale of Capital Assets	-	-	335,570	-	-	335,570
Transfers In	513,640	1,326,986	-	-	378,526	2,219,152
Transfers Out	(433,526)	-	(894,056)	-	(377,930)	(1,705,512)
Total Other Financing Sources (Uses)	<u>80,114</u>	<u>1,326,986</u>	<u>32,405,117</u>	<u>-</u>	<u>596</u>	<u>33,812,813</u>
NET CHANGE IN FUND BALANCES	(2,895)	4,571,888	9,995,604	-	782,413	15,347,010
Fund Balances - Beginning of Year	<u>3,693,207</u>	<u>389,569</u>	<u>7,263,620</u>	<u>-</u>	<u>2,057,299</u>	<u>13,403,695</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,690,312</u>	<u>\$ 4,961,457</u>	<u>\$ 17,259,224</u>	<u>\$ -</u>	<u>\$ 2,839,712</u>	<u>\$ 28,750,705</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances as Shown on Previous Page \$ 15,347,010

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 Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Reported as Expenditures in Governmental Fund Statements	23,721,348
Depreciation Expense Reported in the Statement of Activities	(2,520,801)
Net Book Value of Disposals	(321,614)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 2,315,176

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

Long-Term Debt Issued	(31,800,000)
Premium on Debt Issued	(1,163,603)
Principal Repaid	3,994,355

Some expenses reported 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:

Accrued Interest on Long-Term Debt	(960,992)
Amortization of Debt Premiums	175,467
Other Long-Term Liability - HRA Liability	76,042
Compensated Absences	202,894
Net Pension Liability	(308,586)
Deferred Outflows of Resources Related to Pensions	759,998
Deferred Inflows of Resources Related to Pensions	(212,717)
Net Other Postemployment Benefits	132,192
Deferred Outflows of Resources Related to Other Postemployment Benefits	(89,268)
Deferred Inflows of Resources Related to Other Postemployment Benefits	16,529

Change in Net Position of Governmental Activities as Reported in the Statements of Activities	<u><u>\$ 9,363,430</u></u>
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**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
General Property	\$ 4,057,205	\$ 4,057,205	\$ 4,057,205	\$ -
Public Accommodation (Room) Taxes	350,000	350,000	411,860	61,860
Intergovernmental	4,447,230	4,447,230	4,675,023	227,793
Licenses and Permits	359,100	359,100	461,605	102,505
Fines and Forfeits	87,000	87,000	71,968	(15,032)
Public Charges for Services	1,334,140	1,334,140	1,356,999	22,859
Intergovernmental Charges for Services	60,575	60,575	58,089	(2,486)
Miscellaneous	1,072,500	1,072,500	1,295,795	223,295
Total Revenues	<u>11,767,750</u>	<u>11,767,750</u>	<u>12,388,544</u>	<u>620,794</u>
EXPENDITURES				
Current:				
General Government	2,066,915	2,066,915	1,946,911	120,004
Public Safety	5,995,795	5,995,795	6,064,292	(68,497)
Public Works	2,627,315	2,627,315	2,926,891	(299,576)
Culture and Recreation	1,484,255	1,484,255	1,393,032	91,223
Conservation and Development	143,470	143,470	140,427	3,043
Total Expenditures	<u>12,317,750</u>	<u>12,317,750</u>	<u>12,471,553</u>	<u>(153,803)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(550,000)	(550,000)	(83,009)	466,991
OTHER FINANCING SOURCES				
Transfers In	550,000	550,000	513,640	(36,360)
Transfers Out	-	-	(433,526)	(433,526)
Total Other Financing Sources	<u>550,000</u>	<u>550,000</u>	<u>80,114</u>	<u>(469,886)</u>
NET CHANGE IN FUND BALANCE	-	-	(2,895)	(2,895)
Fund Balance - Beginning of Year	<u>3,693,207</u>	<u>3,693,207</u>	<u>3,693,207</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,693,207</u>	<u>\$ 3,693,207</u>	<u>\$ 3,690,312</u>	<u>\$ (2,895)</u>

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Enterprise Funds			Totals
	Wastewater	Water	Marina	
	Utility	Utility		
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 6,867,927	\$ 2,319,056	\$ 925,887	\$ 10,112,870
Receivables:				
Customer Accounts	574,331	826,494	-	1,400,825
Leases	-	57,385	-	57,385
Prepaid Items	-	36,483	-	36,483
Total Current Assets	<u>7,442,258</u>	<u>3,239,418</u>	<u>925,887</u>	<u>11,607,563</u>
NONCURRENT ASSETS				
Restricted and Other Assets:				
Cash and Investments	2,204,910	1,612,926	-	3,817,836
Leases Receivable	-	141,924	-	141,924
Total Noncurrent Assets	<u>2,204,910</u>	<u>1,754,850</u>	<u>-</u>	<u>3,959,760</u>
CAPITAL ASSETS				
Nondepreciable / Nonamortizable	12,296,157	15,313,203	-	27,609,360
Depreciable / Amortizable, Net	14,223,306	25,168,474	2,611,432	42,003,212
Total Capital Assets	<u>26,519,463</u>	<u>40,481,677</u>	<u>2,611,432</u>	<u>69,612,572</u>
 Total Assets	 36,166,631	 45,475,945	 3,537,319	 85,179,895
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	224,481	424,157	39,867	688,505
Other Postemployment Benefit Related Amounts	26,891	52,469	10,034	89,394
Total Deferred Outflows of Resources	<u>251,372</u>	<u>476,626</u>	<u>49,901</u>	<u>777,899</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2025**

	Enterprise Funds			Totals
	Wastewater Utility	Water Utility	Marina	
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 708,428	\$ 2,515,243	\$ 15,826	\$ 3,239,497
Accrued and Other Current Liabilities	68,925	123,632	25,600	218,157
Unearned Revenue	-	-	189,358	189,358
Current Portion of:				
Net Other Postemployment Benefits Liability	4,810	9,619	2,405	16,834
General Obligation Debt	-	-	235,000	235,000
Subscription Liability	-	5,148	-	5,148
Compensated Absences	9,000	37,330	21,594	67,924
Payable from Restricted Assets:				
Current Portion of Revenue Bonds	590,086	853,809	-	1,443,895
Accrued Interest	45,302	70,634	12,150	128,086
Total Current Liabilities	<u>1,426,551</u>	<u>3,615,415</u>	<u>501,933</u>	<u>5,543,899</u>
LONG-TERM OBLIGATIONS				
Less Current Portion:				
General Obligation Debt	-	-	1,012,158	1,012,158
Revenue Bonds	12,115,704	16,882,552	-	28,998,256
Subscription Liability	-	91,884	-	91,884
Compensated Absences	6,481	30,490	26,020	62,991
Net Pension Liability	38,189	71,429	6,254	115,872
Net Other Postemployment Benefits Liability	47,828	92,364	15,364	155,556
Total Long-Term Liabilities	<u>12,208,202</u>	<u>17,168,719</u>	<u>1,059,796</u>	<u>30,436,717</u>
Total Liabilities	13,634,753	20,784,134	1,561,729	35,980,616
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	199,309	-	199,309
Pension Related Amounts	112,739	210,867	18,463	342,069
Other Postemployment Benefits Related Amounts	48,088	93,172	16,243	157,503
Total Deferred Inflows of Resources	<u>160,827</u>	<u>503,348</u>	<u>34,706</u>	<u>698,881</u>
NET POSITION				
Net Investment in Capital Assets	13,443,142	21,351,416	1,364,274	36,158,832
Restricted:				
Debt Service	111,075	717,952	-	829,027
Equipment Replacement	1,893,067	-	-	1,893,067
Unrestricted	<u>7,175,139</u>	<u>2,595,721</u>	<u>626,511</u>	<u>10,397,371</u>
Total Net Position	<u>\$ 22,622,423</u>	<u>\$ 24,665,089</u>	<u>\$ 1,990,785</u>	<u>\$ 49,278,297</u>

See accompanying Notes to Basic Financial Statements.

CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Enterprise Funds			Totals
	Wastewater Utility	Water Utility	Marina	
OPERATING REVENUES				
Charges for Services	\$ 3,334,108	\$ 4,547,226	\$ 1,403,430	\$ 9,284,764
Other	26,214	650,414	-	676,628
Total Operating Revenues	<u>3,360,322</u>	<u>5,197,640</u>	<u>1,403,430</u>	<u>9,961,392</u>
OPERATING EXPENSES				
Operation and Maintenance	1,589,138	2,584,237	957,517	5,130,892
Depreciation and Amortization	902,380	668,702	156,751	1,727,833
Total Operating Expenses	<u>2,491,518</u>	<u>3,252,939</u>	<u>1,114,268</u>	<u>6,858,725</u>
OPERATING INCOME	868,804	1,944,701	289,162	3,102,667
NONOPERATING REVENUES (EXPENSES)				
Investment Income	297,440	93,093	41,201	431,734
Nonoperating Grants	313,215	-	13,009	326,224
Interest and Fiscal Charges	(156,058)	(286,509)	(30,780)	(473,347)
Total Nonoperating Revenues (Expenses)	<u>454,597</u>	<u>(193,416)</u>	<u>23,430</u>	<u>284,611</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,323,401	1,751,285	312,592	3,387,278
Capital Contributions	157,735	127,970	-	285,705
Transfers Out	(12,179)	(451,461)	(50,000)	(513,640)
CHANGE IN NET POSITION	1,468,957	1,427,794	262,592	3,159,343
Net Position - Beginning of Year	<u>21,153,466</u>	<u>23,237,295</u>	<u>1,728,193</u>	<u>46,118,954</u>
NET POSITION - END OF YEAR	<u>\$ 22,622,423</u>	<u>\$ 24,665,089</u>	<u>\$ 1,990,785</u>	<u>\$ 49,278,297</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025**

	Enterprise Funds			Totals
	Wastewater Utility	Water Utility	Marina	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 3,330,351	\$ 5,106,349	\$ 1,415,547	\$ 9,852,247
Cash Paid for Employee Wages and Benefits	(715,854)	(1,436,917)	(392,949)	(2,545,720)
Cash Paid to Suppliers	(831,664)	(778,230)	(585,864)	(2,195,758)
Net Cash Provided by Operating Activities	1,782,833	2,891,202	436,734	5,110,769
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer Out	(12,179)	(451,461)	(50,000)	(513,640)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(7,110,307)	(13,502,559)	(134,859)	(20,747,725)
Nonoperating Grants	313,215	-	13,009	326,224
Lease Payments Received	-	55,335	-	55,335
Proceeds from Long-Term Debt	7,851,717	10,440,052	-	18,291,769
Principal Paid on Long-Term Debt	(100,000)	(540,000)	(230,000)	(870,000)
Principal Paid on Subscription Liability	-	(4,699)	-	(4,699)
Interest Paid on Long-Term Debt	(141,849)	(273,659)	(41,274)	(456,782)
Net Cash Used by Capital and Related Financing Activities	812,776	(3,825,530)	(393,124)	(3,405,878)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	297,440	93,093	41,201	431,734
CHANGE IN CASH AND CASH INVESTMENTS	2,880,870	(1,292,696)	34,811	1,622,985
Cash and Investments - Beginning of Year	6,191,967	5,224,678	891,076	12,307,721
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 9,072,837</u>	<u>\$ 3,931,982</u>	<u>\$ 925,887</u>	<u>\$ 13,930,706</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	Enterprise Funds			Totals
	Wastewater Utility	Water Utility	Marina	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 868,804	\$ 1,944,701	\$ 289,162	\$ 3,102,667
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	902,380	668,702	156,751	1,727,833
Depreciation Charged to Sewer Utility	(60,513)	60,513	-	-
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources:				
Net Pension Asset/Liability	18,271	35,396	4,558	58,225
Deferred Outflows Related to Pension	(29,142)	(70,860)	(17,896)	(117,898)
Deferred Inflows Related to Pension	6,352	18,398	9,406	34,156
Net Other Postemployment Benefits Liability	(10,883)	(18,009)	1,334	(27,558)
Deferred Outflows Related to Other Postemployment Benefits	6,835	11,686	(338)	18,183
Deferred Inflows Related to Other Postemployment Benefits	(2,511)	(4,111)	(545)	(7,167)
Change in Deferred Inflows from Leases	-	(55,335)	-	(55,335)
Change in Operating Assets and Liabilities:				
Accounts Receivables	(22,277)	(35,956)	-	(58,233)
Prepaid Items	-	(1,575)	-	(1,575)
Accounts Payable	143,557	330,038	607	474,202
Accrued and Other Current Liabilities	2,159	18,633	1,368	22,160
Unearned Revenue	-	-	12,117	12,117
Compensated Absences	(40,199)	(11,019)	(19,790)	(71,008)
Net Cash Provided by Operating Activities	<u>\$ 1,782,833</u>	<u>\$ 2,891,202</u>	<u>\$ 436,734</u>	<u>\$ 5,110,769</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments in Current Assets	\$ 6,867,927	\$ 2,319,056	\$ 925,887	\$ 10,112,870
Cash and Investments in Restricted Assets	2,204,910	1,612,926	-	3,817,836
Total Cash and Investments	<u>\$ 9,072,837</u>	<u>\$ 3,931,982</u>	<u>\$ 925,887</u>	<u>\$ 13,930,706</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Related Accounts Payable	\$ 526,000	\$ 2,121,208	\$ -	\$ 2,647,208
Capital Assets Contributed by Developer	\$ 157,735	\$ 127,970	\$ -	\$ 285,705

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2025**

	<u>Custodial Fund</u>
	<u>Tax Collection</u>
	<u>Fund</u>
ASSETS	
Cash and Investments	\$ 8,874,874
Receivables:	
Taxes	7,308,694
Total Assets	16,183,568
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	16,183,568
 NET POSITION	
Fiduciary Net Position - Restricted for Other Governments	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2025**

	<u>Custodial Fund</u>
	<u>Tax Collection</u>
	<u>Fund</u>
ADDITIONS	
Taxes and Special Charges Collected	\$ 14,981,788
DEDUCTIONS	
Payments to Other Taxing Jurisdictions	14,981,788
CHANGES IN NET POSITION	-
Net Position - Beginning of Year	-
NET POSITION - END OF YEAR	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Port Washington, Wisconsin (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. Reporting Entity

The City is a municipal corporation governed by an elected seven member City Council. In accordance with U.S. GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component units that are required to be included in the basic financial statements.

Discretely Presented Component Unit

Business Improvement District

The government-wide financial statements include the Business Improvement District (the BID) as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor. Wisconsin statutes provide for circumstances whereby the City can impose its will on the BID, and also create a potential financial benefit to or burden on the City. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2025. The BID does not issue separate financial statements.

B. Joint Venture

The Mid-Moraine Municipal Court (Municipal Court) provides municipal court services for the following members:

Washington County

City of Hartford
City of West Bend
Village of Germantown
Village of Jackson
Village of Kewaskum
Village of Newburg
Village of Slinger
Town of Hartford
Town of Trenton

Ozaukee County

City of Cedarburg
City of Mequon
City of Port Washington
Village of Fredonia
Village of Grafton
Village of Saukville
Village of Thiensville

The members share in the annual costs of the Municipal Court proportionate to the individual municipality's annual case load. The City's share of the cost to operate the Municipal Court in 2025 was 6.8%.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (Continued)

The governing committee of the Municipal Court is made up of employees from each community. Local representatives are appointed by the chief executive officer of each community. The committee recommends its own budget which is ratified by each community member. The committee also controls the financial affairs of the Municipal Court. The City believes that the municipal court will continue to provide similar services in the future.

Financial information of the Mid-Moraine Municipal Court as of December 31, 2025, is available directly from the Mid-Moraine Municipal Court in West Bend, Wisconsin.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise 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

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Debt Service Fund

The City's general debt expenditures are accounted for in this fund.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

Capital and Special Projects Fund

This fund is used to account for and report financial resources to be used for construction projects related to capital borrowing.

Tax Incremental District No. 5

This fund is used to account for financial resources and eligible project expenditures based on the approved project plan.

The City reports the following major enterprise funds:

Wastewater Utility Fund

This fund accounts for the operations of a sewage collection system for city residents, business entities and public authorities.

Water Utility Fund

This fund accounts for the operations of a water distribution system which provides water service to city residents, business entities and public authorities.

Marina Fund

This fund accounts for the operations of the city Marina for residents, business entities and public authorities.

The City reports the following nonmajor governmental funds:

Special Revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specific purposes.

- Revolving Loan
- Library
- Open Spaces
- Tree Replacement
- Recycling/Garbage
- ARPA

Capital Projects funds account for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

- TID No. 2
- TID No. 3
- TID No. 4

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

Additionally, the City reports the following fund types:

- The City accounts for assets held for individuals or other government agencies in custodial funds. The tax collection custodial fund accounts for property taxes and special charges collected on behalf of other governments.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Property Taxes and Special Charges Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the City. Special charges not paid by January 31 are held in trust by the County and remitted to the City, including interest, when collected by the County.

In addition to its levy, the City also levies and collects taxes for the Port Washington-Saukville School District, Grafton School District, Ozaukee County, and Milwaukee Area Technical College. Collections and remittances of taxes for other entities are accounted for in the tax roll custodial fund.

3. Accounts Receivable

Accounts receivable of \$225,167 have been reported in the General Fund net of an allowance for uncollectible accounts. This balance represents net accounts receivable of \$87,773 related to general accounts receivable and \$137,384 relates to emergency medical service billings. Emergency medical services reported gross accounts receivable of \$457,980 and also recognized an allowance of \$320,586, resulting in a net of \$137,384.

In addition, accounts receivable have been reported in other governmental funds; however, none of these balances recognized an allowance.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

4. Loans Receivable

The City has received federal grant funds for economic development loan programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

It is the City's policy to record revenue when the initial loan is made from the federal grant funds. The net amount of the loan receivable is included in restricted fund balance. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as restricted fund balance in the fund financial statements.

5. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds".

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed during the periods benefited.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher for furniture and office equipment, \$10,000 for vehicles and operating equipment, and \$50,000 for infrastructure assets, and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 90
Machinery and Equipment	3 - 20
Infrastructure	20 - 100
Utility System	7 - 100

8. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

9. Deferred Outflows/Inflows of Resources (Continued)

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for balances due from other governments and other long-term receivables. These inflows are recognized as revenues in the government-wide financial statements.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Pensions

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

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

11. Pensions (Continued)

Defined Contribution Pension Plan

The City contributes to the Service Award Program (SAP), a defined contribution pension plan, for its volunteer fire fighters, first responders and emergency medical technicians. SAP is administered by UBS Financial Services, Inc. The City determines annually the amount it will contribute on behalf of each individual in the program. Participants are fully vested to receive a service award once he or she attains 15 years of service for a municipality and paid a service award upon reaching the age of 60. A participant who has discontinued providing eligible service after performing a minimum 10 years of service shall be partially vested and may elect to receive a partial service award at any time after reaching age 53. Nonvested accounts are forfeited if the individual ceases to perform creditable service for a period of 12 months or more and distributed equally among all other open accounts sponsored by the participating municipality at the time of the forfeiture.

For the year ended December 31, 2025, the City contributed \$13,000 to the plan, and the City recognized pension expense of \$13,000.

12. Other Postemployment Benefits (OPEB)

Defined Benefit Plan

Qualifying employees are provided with other postemployment benefits. The OPEB is a single employer defined benefit plan administered by the City. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Local Retiree Life Insurance Fund

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

12. Other Postemployment Benefits (OPEB) (Continued)

Local Retiree Life Insurance Fund (Continued)

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.

13. Fund Balance

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable Fund Balance.** Amounts that are not in spendable form (such as prepaid items) or are legally or contractually required to remain intact.
- **Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance.** 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 Fund Balance.** Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as either restricted or committed. The City Council has authorized, by resolution, the finance committee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned Fund Balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

14. Net Position

Government-Wide and Proprietary Fund Statements

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

- * Net Investment in Capital Assets. Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- * Restricted Net Position. Amount of net position that is subject to restrictions that are imposed 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.
- * Unrestricted Net Position. Net position that is neither classified as restricted nor as net investment in capital assets.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP AND COMPLIANCE

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the General Fund, certain special revenue funds, debt service funds and certain capital project funds.
4. Expenditures may not exceed appropriations provided at the function level. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
5. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City's total General Fund expenditures for the year ended December 31, 2025 exceeded budget by \$153,803.

B. Excess of Expenditures Over Budget Appropriations

The following functions of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2025, as follows:

Fund	Excess Expenditures
General Fund:	
Public Safety	\$ 68,497
Public Works	299,576

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

C. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2025 and 2026 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2025 budget was 1.72%. The actual limit for the City for the 2026 budget was 1.34%. Debt service for debt authorized after July 1, 2005, is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005, and in certain other situations.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and Investments".

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state, and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the City's cash and investments totaled \$61,497,045 on December 31, 2025, as summarized below:

Petty Cash and Cash on Hand	\$	2,350
Deposits with Financial Institutions		23,163,994
Investments:		
U.S. Treasury Notes		1,031,550
State and Municipal Bonds		1,307,200
Negotiable Certificates of Deposits		303,453
Money Market Mutual Funds		1,550,446
Federal Farm Credit Bank		842,833
Federal Home Loan Bank		190,285
Wisconsin Local Government Investment Pool		31,425,981
Federal Home Loan Mortgage Corporation		1,054,232
Fannie Mae		332,924
U.S. Small Business		291,797
Total		\$ 61,497,045

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Other Investments	\$ 48,804,335
Restricted Cash and Investments	3,817,836
Fiduciary Fund Statement of Net Position:	
Cash and Investments	8,874,874
Total	\$ 61,497,045

Fair Value Measurements

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 observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2025:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
U.S. Treasury Notes	\$ -	\$ 1,031,550	\$ -
State and Municipal Bonds	-	1,307,200	-
Negotiable Certificates of Deposits	-	303,453	-
Money Market Mutual Funds	-	1,550,446	-
Federal Farm Credit Bank	-	842,833	-
Federal Home Loan Bank	-	190,285	-
Fannie Mae	-	332,924	-
Federal Home Loan Mortgage	-	1,054,232	-
U.S. Small Business	-	291,797	-
Total	\$ -	\$ 6,904,720	\$ -

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the City's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$1,000,000 per public depository above the amount provided by an agency of the U.S. government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2025, \$21,590,157 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. This entire balance was collateralized with securities held by the pledging financial institution.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by a nationally recognized statistical rating organizations. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
U.S. Treasury Notes	\$ 1,031,550	\$ 1,031,550	\$ -	\$ -	\$ -
State and Municipal Bonds	1,307,200	-	841,270	465,930	-
Negotiable Certificates of Deposits	303,453	-	-	-	303,453
Money Market Mutual Funds	1,550,446	-	1,550,446	-	-
Federal Farm Credit Bank	842,833	-	842,833	-	-
Federal Home Loan Bank	190,285	-	-	190,285	-
Federal Home Loan Mortgage	1,054,232	-	-	1,054,232	-
Fannie Mae	332,924	-	-	332,924	-
U.S. Small Business	291,797	-	-	-	291,797
Wisconsin Local Government Investment Pool	31,425,981	-	-	-	31,425,981
Totals	<u>\$ 38,330,701</u>	<u>\$ 1,031,550</u>	<u>\$ 3,234,549</u>	<u>\$ 2,043,371</u>	<u>\$ 32,021,231</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rate. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity evenly overtime as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 1,031,550	\$ 879,833	\$ 151,717	\$ -	\$ -
State and Municipal Bonds	1,307,200	1,307,200	-	-	-
Negotiable Certificates of Deposits	303,453	303,453	-	-	-
Money Market Mutual Funds	1,550,446	1,550,446	-	-	-
Federal Farm Credit Bank	699,629	-	599,525	100,104	-
Federal Home Loan Bank	333,489	-	183,114	150,375	-
Fannie Mae	332,924	-	-	332,924	-
Federal Home Loan Mortgage	1,054,232	-	300,009	754,223	-
U.S. Small Business	291,797	-	-	291,797	-
Wisconsin Local Government Investment Pool	31,425,981	31,425,981	-	-	-
Totals	\$ 38,330,701	\$ 35,466,913	\$ 1,234,365	\$ 1,629,423	\$ -

B. Lease Receivable

A summary of the City's leases terms and interest rates is as follows:

Governmental Activities

Cell Tower Leases. Monthly installments ranging from \$2,367 to \$3,332 plus interest at 1.00%, due dates ranging from 2026 to 2031.

Business-Type Activities

Cell Tower Lease. Monthly installments ranging from \$1,895 to \$3,142 plus interest at 1.00%, due date of 2029.

Certain leases provide for increases in future annual rental payments based on defined increases.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Lease Receivable (Continued)

Total lease payments to be received under lease agreements are as follows:

Year Ended December 31,	Governmental Activities		Business- Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 94,317	\$ 3,252	\$ 57,385	\$ 1,731	151,702	4,983
2027	70,430	2,463	59,496	1,147	129,926	3,610
2028	69,978	1,758	57,397	544	127,375	2,302
2029	71,182	1,059	25,031	94	96,213	1,153
2030	58,035	361	-	-	58,035	361
2031	9,249	15	-	-	9,249	15
Total	<u>\$ 373,191</u>	<u>\$ 8,908</u>	<u>\$ 199,309</u>	<u>\$ 3,516</u>	<u>\$ 572,500</u>	<u>\$ 12,424</u>

C. Restricted Assets

Restricted and other assets on December 31, 2025, totaled \$3,817,836 and consisted of cash and investments held for the following purposes:

Funds	Business-Type Activities		Total
	Wastewater Utility	Water Utility	
Restricted Cash and Investments:			
Equipment Replacement	\$ 1,893,067	\$ -	\$ 1,893,067
Bond Redemption	155,467	788,586	944,053
Bond Reserve	156,376	824,340	980,716
Total Restricted and Other Assets	<u>\$ 2,204,910</u>	<u>\$ 1,612,926</u>	<u>\$ 3,817,836</u>

Grant requirement and bond covenants require the City to restrict cash and investments for the following purposes, as summarized below:

- Equipment Replacement: Represents resources set aside to fund plant renewals and replacements.
- Bond Redemption: Represents resources accumulated for debt service payments over the next 12 months.
- Bond Reserve: Represents resources set aside to make potential future deficiencies in the redemption account.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 3,889,709	\$ 275,000	\$ -	\$ 4,164,709
Construction in Progress	1,185,232	18,023,187	430,269	18,778,150
Total Capital Assets, Nondepreciable	5,074,941	18,298,187	430,269	22,942,859
Capital Assets, Depreciable:				
Buildings	16,610,741	-	-	16,610,741
Machinery and Equipment	13,249,326	1,327,945	773,282	13,803,989
Infrastructure	51,125,301	4,525,485	-	55,650,786
Subtotals	80,985,368	5,853,430	773,282	86,065,516
Less Accumulated Depreciation for:				
Buildings	8,260,933	337,931	-	8,598,864
Machinery and Equipment	6,757,580	632,332	451,668	6,938,244
Infrastructure	19,611,796	1,550,538	-	21,162,334
Subtotals	34,630,309	2,520,801	451,668	36,699,442
Total Capital Assets, Depreciable, Net	46,355,059	3,332,629	321,614	49,366,074
Governmental Activities Capital Assets, Net	<u>\$ 51,430,000</u>	<u>\$ 21,630,816</u>	<u>\$ 751,883</u>	72,308,933
Less: Capital Related Debt				64,462,476
Less: Debt Premium				2,078,153
Less: Capital Related Accounts Payable				3,746,690
Add: Unspent Debt Proceeds				<u>17,764,287</u>
Net Investment in Capital Assets				<u>\$ 19,785,901</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Nondepreciable / Nonamortizable:				
Land	\$ 51,529	\$ -	\$ -	\$ 51,529
Construction in Progress	9,917,354	17,856,821	216,344	27,557,831
Total Capital Assets, Nondepreciable	9,968,883	17,856,821	216,344	27,609,360
Capital Assets, Depreciable / Amortizable:				
Buildings and Improvements	11,794,137	-	-	11,794,137
Machinery and Equipment	12,092,448	566,945	50,346	12,609,047
Infrastructure	56,480,305	1,096,154	183,860	57,392,599
Subscription Based Information Technology	107,043	-	-	107,043
Subtotals	80,473,933	1,663,099	234,206	81,902,826
Less Accumulated Depreciation/Amortization	38,405,987	1,727,833	234,206	39,899,614
Total Capital Assets, Depreciable, Net	42,067,946	(64,734)	-	42,003,212
Business-Type Activities Capital Assets, Net	\$ 52,036,829	\$ 17,792,087	\$ 216,344	69,612,572
Less: Capital Related Debt				30,487,837
Less: Subscription Liability				97,032
Less: Debt Premium				221,665
Less: Capital Related Accounts Payable				2,647,208
Net Investment in Capital Assets				\$ 36,158,830

Depreciation and amortization expense was charged to functions of the City as follows:

Governmental Activities:	
General Government	\$ 442,087
Public Safety	333,735
Public Works	1,331,086
Culture and Recreation	413,893
Total Depreciation and Amortization Expense - Governmental Activities	\$ 2,520,801
Business-Type Activities:	
Water Utility	\$ 902,380
Sewer Utility	668,702
Marina	156,751
Business-Type Activities	\$ 1,727,833

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2025 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances		
Governmental Funds:		
Tax Incremental District No. 5	\$ -	\$ 196,944
Nonmajor Governmental Funds:		
Tax Incremental District No. 2	196,944	-
Total	\$ 196,944	\$ 196,944

Interfund transfers for the year ended December 31, 2025, were as follows:

Funds	Transfer In	Transfer Out
Governmental Funds:		
General	\$ 513,640	\$ 433,526
General Debt Service	1,326,986	-
Capital and Special Projects	-	894,056
Nonmajor Governmental Funds:		
TID No. 2	-	377,930
TID No. 3	378,526	-
Proprietary Funds:		
Wastewater Utility	-	12,179
Water Utility	-	451,461
Marina	-	50,000
Total	\$ 2,219,152	\$ 2,219,152

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Interfund Receivable, Payables, and Transfers (Continued)

Interfund transfers were made for the following purposes:

Tax Equivalent Payment Made by Water Utility to General Fund	\$ 451,461
Tax Equivalent Payment Made by Wastewater Utility to General Fund	12,179
Transfer from Marina to General Fund	50,000
Transfer for Debt Service Payments	1,326,986
Transfer Debt Service funds to TID No. 2	<u>378,526</u>
Total Fund Financial Statement Transfers	2,219,152
Less: Eliminations	<u>(2,732,792)</u>
Total Government-Wide Financial Statement Transfers	<u><u>\$ (513,640)</u></u>

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2025:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 36,550,000	\$ 31,800,000	\$ 3,985,000	\$ 64,365,000	\$ 3,735,000
Notes from Direct Borrowings	106,831	-	9,355	97,476	9,720
Total General					
Obligation Debt	36,656,831	31,800,000	3,994,355	64,462,476	3,744,720
Debt Premium	1,090,017	1,163,603	175,467	2,078,153	-
Compensated Absences	933,430	-	202,894	730,536	384,263
Governmental Activities Long-Term Obligations	<u>\$ 38,680,278</u>	<u>\$ 32,963,603</u>	<u>\$ 4,372,716</u>	<u>\$ 67,271,165</u>	<u>\$ 4,128,983</u>
Business-Type Activities:					
General Obligation Debt:					
Bonds	\$ 1,450,000	-	\$ 230,000	\$ 1,220,000	\$ 235,000
Revenue Bonds	12,595,874	18,291,770	640,000	30,247,644	1,443,895
Debt Premium	267,881	-	46,216	221,665	-
Subscription Liability	101,731	-	4,699	97,032	5,148
Compensated Absences	201,923	-	71,008	130,915	67,924
Business-Type Activities Long-Term Obligations	<u>\$ 14,617,409</u>	<u>\$ 18,291,770</u>	<u>\$ 991,923</u>	<u>\$ 31,917,256</u>	<u>\$ 1,751,967</u>

The change in compensated absence liability is presented as a net change.

Total interest paid during the year on long-term debt totaled \$1,488,531.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/25
Refunding Bonds	11/14/12	09/01/27	2.00 - 2.38%	\$ 1,030,000	\$ 165,000
Refunding Bonds	07/01/13	09/01/32	2.75 - 3.25%	3,965,000	1,585,000
Refunding Bonds	07/06/16	09/01/31	2.13 - 2.50%	5,030,000	3,450,000
Promissory Notes	06/27/17	09/01/26	2.00 - 3.00%	5,445,000	435,000
Promissory Notes	06/15/18	09/01/27	3.00%	2,400,000	1,100,000
Taxable Promissory Notes	08/19/19	12/01/27	2.00 - 3.00%	1,110,000	400,000
Refunding Bonds	11/01/19	12/01/34	2.00 - 4.00%	2,890,000	2,890,000
State Trust Fund Loan	02/13/20	03/15/29	3.25%	47,426	22,831 *
Promissory Notes	06/08/20	09/01/29	2.00%	2,895,000	1,075,000
Refunding Bonds	08/17/20	09/01/33	0.45 - 1.65%	3,780,000	1,800,000
Refunding Bonds	10/15/21	09/01/33	1.00 - 2.00%	4,905,000	3,985,000
Community Development Bonds	05/06/22	03/01/38	4.15 - 5.00%	835,000	725,000
Promissory Notes	08/01/22	03/01/32	3.00 - 5.00%	3,700,000	3,225,000
State Trust Fund Loan	08/02/22	03/15/38	4.75%	87,960	74,645 *
Promissory Notes	11/28/23	03/01/33	4.00 - 5.00%	6,000,000	4,950,000
Promissory Notes	12/19/24	09/01/44	4.00 - 5.00%	8,000,000	8,000,000
Promissory Notes	05/22/25	03/01/45	4.00 - 5.00%	31,800,000	31,800,000
Total Outstanding General Obligation Debt					<u>\$ 65,682,476</u>

* The City's outstanding State Trust Fund Loans of \$97,476 are presented as direct borrowings. These loans are subject to a statutory provision that in an event of late or nonpayment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin.

Annual principal and interest maturities of the outstanding general obligation debt of \$65,682,476 on December 31, 2025, are detailed below:

<u>Year Ended December 31,</u>	<u>General Obligation Notes from Direct Borrowing and Direct Placements Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
	2026	\$ 9,720
2027	10,100	3,907
2028	10,486	3,522
2029	10,907	3,101
2030	5,156	2,672
2031 - 2035	29,689	9,455
2036 - 2038	21,418	2,069
Total	<u>\$ 97,476</u>	<u>\$ 29,014</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Year Ended December 31,	General Obligation Debt					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 3,735,000	\$ 2,915,637	\$ 235,000	\$ -	\$ 3,970,000	\$ 2,915,637
2027	3,760,000	2,400,918	240,000	-	4,000,000	2,400,918
2028	3,435,000	2,278,573	245,000	-	3,680,000	2,278,573
2029	3,520,000	2,155,888	255,000	-	3,775,000	2,155,888
2030	3,610,000	2,038,821	55,000	-	3,665,000	2,038,821
2031 - 2035	17,005,000	8,230,575	190,000	-	17,195,000	8,230,575
2036 - 2040	14,540,000	4,829,606	-	-	14,540,000	19,369,606
2041 - 2045	14,760,000	1,595,532	-	-	14,760,000	16,355,532
Total	<u>\$ 64,365,000</u>	<u>\$ 26,445,550</u>	<u>\$ 1,220,000</u>	<u>\$ -</u>	<u>\$ 65,585,000</u>	<u>\$ 55,745,550</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2025, was \$29,363,799 as follows:

Equalized Valuation of the City	\$ 1,900,925,500
Statutory Limitation Percentage	<u>(x) 5%</u>
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	95,046,275
Net Outstanding General Obligation Debt Applicable to Debt Limitation	<u>65,682,476</u>
Legal Margin for New Debt	<u>\$ 29,363,799</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2025, totaled \$30,247,644 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/25
Water Revenue Bonds	06/06/16	05/01/36	2.25 - 3.00%	\$ 2,500,000	\$ 1,580,000
Water Revenue Bonds	04/05/18	05/01/31	3.00 - 3.25%	2,635,000	1,360,000
Water Revenue Bonds	06/28/19	05/01/36	3.00 - 4.00%	1,820,000	1,370,000
Sewer Revenue Bonds	10/06/21	05/01/36	2.00 - 3.00%	1,680,000	1,290,000
Water Revenue Bonds	10/28/21	05/01/36	2.000%	2,235,000	1,810,000
Water Revenue Bonds	04/24/24	05/01/53	2.255%	11,489,871	11,489,872
Sewer Revenue Bonds	05/22/24	05/22/44	2.145%	11,347,772	11,347,772
Total Outstanding Revenue Bonds					<u>\$ 30,247,644</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual principal and interest maturities of the outstanding revenue bonds of \$30,247,644 on December 31, 2025, are detailed below:

<u>Year Ended December 31,</u>	<u>Business-Type Activities</u>		
	<u>Bonded</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,443,895	\$ 678,379	\$ 2,122,274
2027	1,481,145	642,010	2,123,155
2028	1,518,773	604,315	2,123,088
2029	1,556,787	566,410	2,123,197
2030	1,595,195	528,244	2,123,439
2031 - 2035	7,876,498	2,089,367	9,965,865
2036 - 2040	5,766,005	1,293,082	7,059,087
2041 - 2045	4,966,971	702,067	5,669,038
2046 - 2050	2,441,399	320,599	2,761,998
2051 - 2053	1,600,976	54,689	1,655,665
Total	<u>\$ 30,247,644</u>	<u>\$ 7,479,162</u>	<u>\$ 37,726,806</u>

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay the water system revenue bonds. Proceeds from the bonds provided financing for the water system. The bonds are payable solely from water customer net revenues and are payable through 2053. The total principal and interest remaining to be paid on the bonds is \$22,461,131. Principal and interest paid for the current year and total customer net revenues were \$809,872 and \$2,706,496, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the water system revenue bonds. Proceeds from the bonds provided financing for the sewer system. The bonds are payable solely from sewer customer net revenues and are payable through 2044. The total principal and interest remaining to be paid on the bonds is \$15,265,674. Principal and interest paid for the current year and total customer net revenues were \$241,849 and \$2,068,624, respectively.

Subscription-Based Information Technology Arrangements

The City has entered into a subscription-based information technology arrangement (SBITA) for water utility technology. The SBITA expires in 2033. Future subscription payments under the terms of the SBITA agreement are as follows:

<u>Year Ended December 31,</u>	<u>Business- Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 5,148	\$ 3,594	\$ 8,742
2027	8,404	3,301	11,705
2028	9,338	2,950	12,288
2029	10,088	2,569	12,657
2030	10,879	2,157	13,036
2031 - 2033	53,175	3,232	56,407
Total	<u>\$ 97,032</u>	<u>\$ 17,803</u>	<u>\$ 114,835</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Bond Covenant Disclosures

Debt Coverage Water and Sewer System Revenue Bonds

Under terms of the resolutions providing for the issue of revenue bonds, revenue less operating expenses, excluding depreciation, must exceed 1.20 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2025 as follows:

	Wastewater	Water
Operating Revenues	\$ 3,360,322	\$ 5,197,640
Less: Operating Expenses	(2,491,518)	(3,252,939)
Add: Depreciation	902,380	668,702
Interest Revenue	297,440	93,093
Pledged Net Revenues	\$ 2,068,624	\$ 2,706,496
Highest Annual Principal and Interest Requirements	\$ 861,412	\$ 1,266,853
Coverage Factor	2.40	2.14
Required	1.20	1.20

The 2025 utility budgets were prepared and approved as required by the bond resolutions.

The City has carried out the requirements of the Water and Sewer revenue bond resolutions, including the reserve requirement.

G. Pension Plan

1. 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 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, which can be found at <http://etf.wi.gov/reports-and-statements/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 PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

2. 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.

3. Benefits Provided

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 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 periods. 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 or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

4. 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:

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13
2022	7.4	15
2023	1.6	(21)
2024	3.6	15

5. 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.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

5. Contributions (Continued)

During the reporting period ending December 31, 2025, the WRS recognized \$783,386 in contributions from the City. Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (Including Executives, and Elected Officials)	6.95 %	6.95 %
Protective with Social Security	6.95	14.95
Protective without Social Security	6.95	18.95

6. Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025, the City reported a liability of \$716,712 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, rolled forward to December 31, 2024. 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, 2024, the City's proportion was 0.04361777%, which was an increase of 0.00065310% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the City recognized pension expense of \$954,372.

At December 31, 2025, 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 Expected and Actual Experience	\$ 2,225,783	\$ 2,091,538
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	1,089,082	-
Changes in Assumptions	212,662	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	24,288
Employer Contributions Subsequent to the Measurement Date	783,386	-
Total	<u>\$ 4,310,913</u>	<u>\$ 2,115,826</u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

6. Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$783,386 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2026	\$ 420,292
2027	1,478,119
2028	(370,998)
2029	(115,712)
Total	<u>\$ 1,411,701</u>

7. Actuarial Assumptions

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

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability:	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2021 Published November 19, 2024
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 % - 5.7 %
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. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

7. Actuarial Assumptions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from the prior year, including seniority (merit) and separation rates. The total pension liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

Long-Term Expected Return on Plan Assets

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

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Public Equity	38 %	7.0 %	4.3 %
Public Fixed Income	27	6.1	3.4
Private Equity/Debt	20	9.5	6.7
Inflation Sensitive	19	4.8	2.1
Real Estate	8	6.5	3.8
Leverage	(12)	3.7	1.1
Total Core Fund	100 %	7.5	4.8
Variable Fund Asset Class:			
U.S. Equities	70 %	6.5	3.8
International Equities	30	7.4	4.7
Total Variable Fund	100 %	6.9	4.2

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.6 %

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

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 PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

7. Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets (Continued)

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%.

Single Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.70% will always be paid after reflecting known changes in the Market Recognition Account. 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 long-term expected 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 (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,723,696	\$ 716,712	\$ (3,551,077)

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

8. Payables to the Pension Plan

The City reported a payable of \$148,223 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2025.

H. Other Postemployment Benefits

The City reports OPEB balances at December 31, 2025, as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ 477,248	\$ 190,460	\$ 435,454
Single-Employer Defined OPEB Plan	516,967	318,126	472,835
Total Pension Liability	\$ 994,215	\$ 508,586	\$ 908,289

1. Single-Employer Defined Postemployment Benefit Plan

Plan Description

The Plan is a single-employer defined benefit postemployment health plan. The plan provides OPEB for all permanent full-time general, marina, wastewater, and water utility employees of the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The plan provides healthcare, prescription drug and dental coverage for retirees and their dependents. Retirees pay 100% of the monthly premium.

Employees Covered by Benefit Terms

At December 31, 2025, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	4
Active Employees	72
Total	76

Total OPEB Liability

The City's total OPEB liability of \$516,967 was measured as of December 31, 2024, and was determined by an actuarial valuation as of December 31, 2023.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.5 %
Salary Increases:	3.0 %
Healthcare Cost Trend Rates:	7.00 % decreasing to 6.50%, then decreasing by 0.10% per year down to 4.50 %, and level thereafter
Discount Rate:	4.28 %

Mortality rates were based on Wisconsin 2020 WRS Experience Mortality Table adjusted for future mortality improvements using the MP-2021 fully generated improvement scale.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at December 31, 2023	\$ 505,043
Changes for the Year:	
Service Cost	38,673
Interest	19,008
Difference Between Expected and Actual Experience	63,535
Effect of Assumptions Changes or Inputs	(10,910)
Benefit Payments	(98,382)
Net Changes	<u>11,924</u>
Balance at December 31, 2024	<u>\$ 516,967</u>

Sensitivity of the Total OPEB Liability to Changes in 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 (3.28%) or 1-percentage-point higher (5.28%) than the current discount rate:

	1% Decrease to Discount Rate (3.28%)	Current Discount Rate (4.28%)	1% Increase to Discount Rate (5.28%)
Total OPEB Liability	\$ 556,824	\$ 516,967	\$ 480,423

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in 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 (6.0% decreasing to 3.5%) or 1-percentage point higher (8.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (6.0% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% Decreasing to 4.5%)	1% Increase (8.0% Decreasing to 5.5%)
Total OPEB Liability	\$ 463,221	\$ 516,967	\$ 580,443

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

For the year ended December 31, 2025, the City recognized OPEB Revenue of \$1,003. At December 31, 2025, 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	\$ 105,706	\$ 341,814
Changes in Assumptions	121,061	131,021
City Benefit Payments Subsequent to the Measurement Date	91,359	-
Total	\$ 318,126	\$ 472,835

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

\$91,359 reported as deferred outflows of resources related to OPEB resulting from City benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the measurement period ended December 31, 2025 and reported in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ending December 31,</u>	<u>Expense</u>
2026	\$ (58,684)
2027	(58,687)
2028	(33,832)
2029	(37,916)
2030	(37,909)
Thereafter	(19,040)
Total	<u>\$ (246,068)</u>

2. Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a multiemployer, 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 members.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Annual Comprehensive Financial Report, 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 also be found using the link above.

Benefits Provided

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Contributions

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

Employers are required to pay the following contributions based on member 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 as of December 31, 2025, 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 year ended December 31, 2024, are listed below:

Life Insurance Member Contribution Rates* For the Year Ended December 31, 2024		
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.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

During the year ended December 31, 2025, LRLIF recognized \$3,945 in contributions from the employer.

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

At December 31, 2025, the City reported a liability of \$477,248 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024, rolled forward to December 31, 2024. No material changes in assumptions or benefits 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, 2024, the City's proportion was 0.12198800%, which was an decrease of 0.01906200% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the City recognized OPEB expense of \$18,933.

At December 31, 2025, 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	\$ -	\$ 49,650
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	6,554	-
Changes in Assumptions	117,103	267,679
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	66,803	118,125
Total	\$ 190,460	\$ 435,454

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

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

<u>Year Ended December 31,</u>	<u>Expense</u>
2026	\$ (24,003)
2027	(49,887)
2028	(53,141)
2029	(61,578)
2030	(27,611)
Thereafter	(28,774)
Total	<u>\$ (244,994)</u>

Actuarial Assumptions. The total OPEB liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2024
Measurement Date of Net OPEB Liability (Asset):	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
20-Year Tax-Exempt Municipal Bond Yield:*	4.08 %
Long-Term Expected Rate of Return:	4.25 %
Discount Rate:	4.09 %
Salary Increases:	
Wage Inflation	3.00 %
Seniority/Merit	0.1 % - 5.7 %
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, 2024, actuarial valuation.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

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. The target allocation and expected returns are summarized in the following table:

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg US Interim Credit	40 %	2.41 %
U.S. Mortgages	Bloomberg US	60	2.71

Single Discount Rate. A single discount rate of 4.09% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.32% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. 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, 2037.

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

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

Sensitivity of the City’s Proportionate Share of Net OPEB Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.09%, as well as what the District’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 (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease to Discount Rate (3.09%)	Current Discount Rate (4.09%)	1% Increase to Discount Rate (5.09%)
City's Proportionate Share of the Net OPEB Liability	\$ 637,909	\$ 477,248	\$ 353,445

Payable to the OPEB Plan

The City did not report a payable for any outstanding amount of contributions to the Plan required for the year ended December 31, 2025.

I. Fund Balance

1. Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2025, nonspendable fund balance was as follows:

General Fund:	
Nonspendable:	
Prepaid Items	\$ 38,113
Delinquent Taxes	14,294
Total General Fund	
Nonspendable Fund Balance	\$ 52,407

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Balance (Continued)

2. Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2025, restricted fund balance was as follows:

Special Revenue Funds:	
Restricted for:	
Loan Programs	\$ 926,019
Library	366,422
Total Special Revenue Funds	<u>1,292,441</u>
Debt Service Funds:	
General Debt Service Fund:	
Restricted for:	
Debt Service	4,961,457
Capital Projects Funds:	
Restricted for:	
Capital Projects	14,017,597
Tax Incremental District Development	796,784
Total Capital Project Funds	<u>14,814,381</u>
Total Restricted Fund Balance	<u><u>\$ 21,068,279</u></u>

3. Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2025, General Fund balance was committed as follows:

Special Revenue Funds:	
Committed for:	
Open Spaces	\$ 564,534
Tree Replacement	119,725
Recycling	12,169
ARPA	<u>54,059</u>
Capital Projects	
Committed for	
Capital Projects	<u>3,241,627</u>
Total Committed Fund Balance	<u><u>\$ 3,992,114</u></u>

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Balance (Continued)

4. Minimum Fund Balance Policy

The City Council has established a minimum General Fund unassigned fund balance goal of a minimum of 20% of current annual General Fund operating expenditures, excluding capital outlay and debt service.

2025 General Fund Expenditures Less	
Capital Outlay and Debt Service	\$ 12,471,553
Minimum Fund Balance Percent	(x) 20%
Minimum Fund Balance Amount	<u>\$ 2,494,311</u>

The current unassigned General Fund balance of \$3,637,905 is above the 20% goal.

NOTE 4 OTHER INFORMATION

A. Tax Incremental Financing Districts

The City has established a separate capital projects fund for Tax Incremental District (TID) No. 2, 3, 4 and 5 which were created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the District was created, the property tax base within the District was “frozen” and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City’s District is still eligible to incur project costs.

Since creation of the above District, the City has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the City from any future excess tax increment revenues. As of December 31, 2025, the City can recover \$1,275,692 from future excess tax increment revenues of the following:

	Recoverable Costs (Excess)
TID No. 2	\$ 1,627,202
TID No. 3	(343,903)
TID No. 4	(7,607)
TID No. 5	-

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Tax Incremental Financing Districts (Continued)

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective District. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	Termination Year
TID No. 2	2037
TID No. 3	2035
TID No. 4	2047
TID No. 5	2045

B. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God for which the government carries commercial insurance. 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.

C. Contingencies

From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast 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 participates in a number of federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grants. Management believes such reimbursements, if any, would be immaterial.

D. Construction Commitments

In 2023 the City began a Water Plant upgrade and renovation project. The primary construction contract for this project is \$17,902,504. As of December 31, 2025, construction costs totaling \$15,261,674 have been incurred.

In 2023 the City began a Sewer Treatment Plant upgrade and renovation project. The primary construction contract for this project is \$11,028,000. As of December 31, 2025, construction costs totaling \$12,296,156 have been incurred.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SINGLE EMPLOYER PLAN
LAST TEN FISCAL YEARS *

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:								
Service Cost	\$ 38,673	\$ 45,871	\$ 62,453	\$ 77,508	\$ 70,171	\$ 38,456	\$ 48,957	\$ 48,957
Interest	19,008	28,439	15,242	21,506	23,758	27,095	24,660	24,660
Changes of Benefit Terms	-	-	-	-	-	-	-	340,009
Differences Between Expected and Actual Experience	63,535	(227,316)	(112,621)	(126,627)	-	(378,657)	625	(197)
Changes of Assumptions	(10,910)	82,093	73,845	(83,237)	32,651	179,862	-	-
Benefit Payments	(98,382)	(140,525)	(106,614)	(44,107)	(32,609)	(11,801)	(14,545)	(14,545)
Net Change in Total OPEB Liability	11,924	(211,438)	(67,695)	(154,957)	93,971	(145,045)	59,697	398,884
Total OPEB Liability - Beginning	505,043	716,481	784,176	939,133	845,162	990,207	930,510	531,626
Total OPEB Liability - Ending	<u>\$ 516,967</u>	<u>\$ 505,043</u>	<u>\$ 716,481</u>	<u>\$ 784,176</u>	<u>\$ 939,133</u>	<u>\$ 845,162</u>	<u>\$ 990,207</u>	<u>\$ 930,510</u>
Covered-Employee Payroll	\$ 6,416,453	\$ 6,649,152	\$ 5,379,633	\$ 5,379,633	\$ 4,921,471	\$ 4,921,471	\$ 4,753,958	\$ 4,753,958
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	8.06%	7.60%	13.32%	14.58%	19.08%	17.17%	20.83%	19.57%

* The amounts presented for each fiscal year were determined as of the current fiscal year end.
Data is being accumulated annually to present 10 years of the reported information.

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS**

Measurement Period Ending	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 (Asset)
12/31/15	0.03943463 %	\$ 640,805	\$ 4,861,923	13.18 %	98.20 %
12/31/16	0.03916297	322,796	4,932,900	6.54	99.12
12/31/17	0.03965889	(1,177,519)	5,032,874	23.40	102.93
12/31/18	0.04009404	1,426,420	5,117,922	27.87	96.45
12/31/19	0.04101599	(1,294,937)	5,212,340	24.84	102.96
12/31/20	0.04064883	(2,537,762)	5,592,702	45.38	105.26
12/31/21	0.04108072	(3,311,181)	5,689,238	58.20	106.02
12/31/22	0.04245264	2,249,015	6,025,128	37.33	95.72
12/31/23	0.02353375	349,901	6,316,398	5.54	98.85
12/31/24	0.04361777	716,712	6,649,436	10.78	98.79

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/16	\$ 373,731	\$ 373,731	\$ -	\$ 4,932,900	7.58 %
12/31/17	408,004	408,004	-	5,032,874	8.11
12/31/18	421,319	421,319	-	5,117,922	8.23
12/31/19	387,006	387,006	-	5,212,340	7.42
12/31/20	477,233	477,233	-	5,592,702	8.53
12/31/21	487,673	487,673	-	5,689,238	8.57
12/31/22	516,253	516,253	-	6,025,128	8.57
12/31/23	584,499	584,499	-	6,316,398	9.25
12/31/24	639,846	639,846	-	6,649,436	9.62
12/31/25	783,386	783,386	-	7,649,562	10.24

See Notes to Required Supplementary Information.

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST TEN MEASUREMENT PERIODS**

Measurement Period Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered - Employee Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.12765800 %	\$ 384,069	\$ 5,368,384	7.15 %	44.81 %
12/31/18	0.13492800	348,160	4,724,000	7.37	48.69
12/31/19	0.14920500	608,517	4,559,000	13.35	37.58
12/31/20	0.10966400	603,231	4,662,000	12.94	31.36
12/31/21	0.13048500	771,215	5,459,000	14.13	29.57
12/31/22	0.14075700	536,260	5,526,000	9.70	38.81
12/31/23	0.14105000	648,922	5,726,000	11.33	33.90
12/31/24	0.12198800	477,248	5,205,000	9.17	37.20

**SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST TEN FISCAL YEARS**

City Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 15,127	\$ 15,127	\$ -	\$ 4,724,000	0.32 %
12/31/19	18,124	18,124	-	4,559,000	0.40
12/31/20	19,653	19,653	-	4,662,000	0.42
12/31/21	2,649	2,649	-	5,459,000	0.05
12/31/22	2,915	2,915	-	5,526,000	0.05
12/31/23	3,014	3,014	-	5,726,000	0.05
12/31/24	2,618	2,618	-	5,205,000	0.05
12/31/25	3,945	3,945	-	7,649,562	0.05

See Notes to Required Supplementary Information.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

Changes of Benefit Terms:

There were no changes of benefit terms for any participating employer in WRS.

Changes of Assumptions:

Based on a three-year experience study conducted in 2024 covering January 1, 2021 through December 31, 2023, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended December 31, 2024, including the following:

- Lowering the seniority/merit inflation rate from 0.1% to 5.6% to 0.1% to 5.7%

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

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

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

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

The amounts reported 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 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS

Single Employer Defined OPEB Plan

Changes of Benefit Terms. There were no changes of benefit terms. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Changes of Assumptions

The discount rate used as part of the actuarial assumptions changed from the prior year. Please refer to the Actuarial Assumptions section of Note 3 H.1. to the basic financial statements.

The City is required to present the last 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

**CITY OF PORT WASHINGTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (LRLIF)

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

Changes of Assumptions

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%
- Morality 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%
- Morality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The City is required to present the last 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

SUPPLEMENTARY INFORMATION

**CITY OF PORT WASHINGTON, WISCONSIN
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2025**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
TAXES				
General Property	\$ 4,057,205	\$ 4,057,205	\$ 4,057,205	\$ -
Pubic Accommodation (Room) Taxes	350,000	350,000	411,860	61,860
Total Taxes	4,407,205	4,407,205	4,469,065	61,860
INTERGOVERNMENTAL				
State:				
State Shared Taxes	3,371,350	3,371,350	3,389,234	17,884
Personal Property Tax	14,880	14,880	54,420	39,540
Exempt Computer State Aid	12,000	12,000	11,374	(626)
Fire Insurance	75,000	75,000	80,771	5,771
Law Enforcement Grants	-	-	6,080	6,080
General Transportation Aid	960,000	960,000	979,141	19,141
Other State Grants	14,000	14,000	154,003	140,003
Total Intergovernmental	4,447,230	4,447,230	4,675,023	227,793
LICENSES AND PERMITS				
Licenses:				
Liquor and Malt Beverage	20,000	20,000	21,592	1,592
Bartender Operator's Licenses	8,000	8,000	9,015	1,015
Cigarette Licenses	1,100	1,100	1,000	(100)
Cable Television Fees	88,000	88,000	77,691	(10,309)
Dog and Cat	2,000	2,000	1,982	(18)
Permits:				
Building	150,000	150,000	205,371	55,371
Plumbing	25,000	25,000	37,279	12,279
Electrician	25,000	25,000	42,475	17,475
Occupancy	35,000	35,000	54,100	19,100
Planning Commission	5,000	5,000	11,100	6,100
Total Licenses and Permits	359,100	359,100	461,605	102,505

**CITY OF PORT WASHINGTON, WISCONSIN
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES (CONTINUED)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2025**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
FINES AND FORFEITS				
Court Penalties and Costs	\$ 55,000	\$ 55,000	\$ 43,206	\$ (11,794)
Parking Violations	32,000	32,000	28,762	(3,238)
Total Fines and Forfeits	<u>87,000</u>	<u>87,000</u>	<u>71,968</u>	<u>(15,032)</u>
PUBLIC CHARGES FOR SERVICES				
Clerk's Fees	7,000	7,000	6,965	(35)
Police Department Fees	3,000	3,000	85	(2,915)
Fire Department Fees	176,640	176,640	181,442	4,802
Ambulance Fees	700,000	700,000	791,043	91,043
Other Public Safety	10,000	10,000	7,928	(2,072)
County Highway Maintenance and Construction	5,000	5,000	-	(5,000)
Recreation Programs	368,500	368,500	303,179	(65,321)
Senior Center	64,000	64,000	66,357	2,357
Total Public Charges for Services	<u>1,334,140</u>	<u>1,334,140</u>	<u>1,356,999</u>	<u>22,859</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Police Liaison Officer	60,575	60,575	58,089	(2,486)
MISCELLANEOUS				
Interest Income	375,000	375,000	479,433	104,433
Rental Income	100,000	100,000	106,958	6,958
Donations	500	500	10,995	10,495
Third-Party Reimbursement	500,000	500,000	500,000	-
Other Miscellaneous Revenue	97,000	97,000	198,409	101,409
Total Miscellaneous	<u>1,072,500</u>	<u>1,072,500</u>	<u>1,295,795</u>	<u>223,295</u>
Total Revenues	<u>\$ 11,767,750</u>	<u>\$ 11,767,750</u>	<u>\$ 12,388,544</u>	<u>\$ 620,794</u>

**CITY OF PORT WASHINGTON, WISCONSIN
 DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2025**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
GENERAL GOVERNMENT				
Mayor and Council	\$ 45,905	\$ 45,905	\$ 47,569	\$ (1,664)
City Administrator	351,785	351,785	463,726	(111,941)
Human Resources	555,685	555,685	314,568	241,117
Clerk and Elections	593,605	593,605	533,725	59,880
Finance and Treasurer	519,935	519,935	587,323	(67,388)
Total General Government	<u>2,066,915</u>	<u>2,066,915</u>	<u>1,946,911</u>	<u>120,004</u>
PUBLIC SAFETY				
Inspections	184,085	184,085	182,501	1,584
Police	3,636,110	3,636,110	3,994,082	(357,972)
Fire Department	925,260	925,260	792,992	132,268
Ambulance - EMS	1,250,340	1,250,340	1,094,717	155,623
Total Public Safety	<u>5,995,795</u>	<u>5,995,795</u>	<u>6,064,292</u>	<u>(68,497)</u>
PUBLIC WORKS				
Engineering	352,405	352,405	461,483	(109,078)
Streets	2,274,910	2,274,910	2,465,408	(190,498)
Total Public Works	<u>2,627,315</u>	<u>2,627,315</u>	<u>2,926,891</u>	<u>(299,576)</u>
CULTURE AND RECREATION				
Parks and Forestry	596,810	596,810	570,925	25,885
Recreation	654,180	654,180	621,229	32,951
Senior Center	233,265	233,265	200,878	32,387
Total Culture and Recreation	<u>1,484,255</u>	<u>1,484,255</u>	<u>1,393,032</u>	<u>91,223</u>
CONVERSATION AND DEVELOPMENT				
Planning	143,470	143,470	140,427	3,043
Total Expenditures	<u>\$ 12,317,750</u>	<u>\$ 12,317,750</u>	<u>\$ 12,471,553</u>	<u>\$ (153,803)</u>

**CITY OF PORT WASHINGTON, WISCONSIN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2025**

	Special Revenue			
	Revolving Loan	Library	Open Spaces	Tree Replacement
ASSETS				
Cash and Investments	\$ 518,983	\$ 724,733	\$ 565,342	\$ 119,725
Receivables:				
Taxes and Special Charges	-	272,844	-	-
Accounts	-	-	-	-
Loans	408,196	-	-	-
Due from Other Funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 927,179</u>	<u>\$ 997,577</u>	<u>\$ 565,342</u>	<u>\$ 119,725</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,160	\$ 10,505	\$ 808	\$ -
Accrued and Other Current Liabilities	-	16,495	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>1,160</u>	<u>27,000</u>	<u>808</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	-	604,155	-	-
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>604,155</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	926,019	366,422	-	-
Committed	-	-	564,534	119,725
Total Fund Balances	<u>926,019</u>	<u>366,422</u>	<u>564,534</u>	<u>119,725</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 927,179</u>	<u>\$ 997,577</u>	<u>\$ 565,342</u>	<u>\$ 119,725</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2025**

	Special Revenue (Continued)		Capital Projects			Total
	Recycling/ Garbage	ARPA Fund	TID No. 2	TID No. 3	TID No. 4	
ASSETS						
Cash and Investments	\$ 218,557	\$ 94,221	\$ 792,565	\$ 431,372	\$ 36,594	\$ 3,502,092
Receivables:						
Taxes and Special Charges	70,108	-	447,896	72,033	23,871	886,752
Accounts	-	-	-	-	280,000	280,000
Loans	-	-	-	-	-	408,196
Due from Other Funds	-	-	196,944	-	-	196,944
	<u>-</u>	<u>-</u>	<u>196,944</u>	<u>-</u>	<u>-</u>	<u>196,944</u>
Total Assets	<u>\$ 288,665</u>	<u>\$ 94,221</u>	<u>\$ 1,437,405</u>	<u>\$ 503,405</u>	<u>\$ 340,465</u>	<u>\$ 5,273,984</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 22,700	\$ -	\$ 360	\$ -	\$ -	\$ 35,533
Accrued and Other Current Liabilities	-	-	-	-	-	16,495
Unearned Revenues	-	40,162	-	-	-	40,162
Total Liabilities	<u>22,700</u>	<u>40,162</u>	<u>360</u>	<u>-</u>	<u>-</u>	<u>92,190</u>
DEFERRED INFLOWS OF RESOURCES						
Property Taxes Levied for Subsequent Year	253,796	-	991,771	159,502	52,858	2,062,082
Unavailable Revenue	-	-	-	-	280,000	280,000
Total Deferred Inflows of Resources	<u>253,796</u>	<u>-</u>	<u>991,771</u>	<u>159,502</u>	<u>332,858</u>	<u>2,342,082</u>
FUND BALANCES						
Restricted	-	-	445,274	343,903	7,607	2,089,225
Committed	12,169	54,059	-	-	-	750,487
Total Fund Balances	<u>12,169</u>	<u>54,059</u>	<u>445,274</u>	<u>343,903</u>	<u>7,607</u>	<u>2,839,712</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 288,665</u>	<u>\$ 94,221</u>	<u>\$ 1,437,405</u>	<u>\$ 503,405</u>	<u>\$ 340,465</u>	<u>\$ 5,273,984</u>

**CITY OF PORT WASHINGTON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2025**

	Special Revenue			
	Revolving Loan	Library	Open Spaces	Tree Replacement
REVENUES				
Taxes	\$ -	\$ 590,645	\$ -	\$ -
Intergovernmental	-	-	-	-
Public Charges for Services	-	12,642	-	-
Intergovernmental Charges for Services	-	126,848	-	-
Miscellaneous	34,579	26,243	234,599	-
Total Revenues	<u>34,579</u>	<u>756,378</u>	<u>234,599</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Health and Human Services	-	-	-	-
Culture and Recreation	-	680,154	80,472	-
Conservation and Development	5,280	-	-	29,468
Capital Outlay	-	-	30,036	-
Total Expenditures	<u>5,280</u>	<u>680,154</u>	<u>110,508</u>	<u>29,468</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,299	76,224	124,091	(29,468)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	29,299	76,224	124,091	(29,468)
Fund Balances - Beginning of Year	<u>896,720</u>	<u>290,198</u>	<u>440,443</u>	<u>149,193</u>
FUND BALANCES - END OF YEAR	<u>\$ 926,019</u>	<u>\$ 366,422</u>	<u>\$ 564,534</u>	<u>\$ 119,725</u>

**CITY OF PORT WASHINGTON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	Special Revenue (Continued)		Capital Projects			Total
	Recycling/ Garbage	ARPA Fund	TID No. 2	TID No. 3	TID No. 4	
REVENUES						
Taxes	\$ -	\$ -	\$ 873,428	\$ 84,303	\$ 53,782	\$ 1,602,158
Intergovernmental	19,247	254,272	30,754	13,821	-	318,094
Public Charges for Services	244,020	-	-	-	-	256,662
Intergovernmental Charges for Services	-	-	-	-	-	126,848
Miscellaneous	-	-	68,848	-	-	364,269
Total Revenues	<u>263,267</u>	<u>254,272</u>	<u>973,030</u>	<u>98,124</u>	<u>53,782</u>	<u>2,668,031</u>
EXPENDITURES						
Current:						
General Government	-	-	4,333	150	150	4,633
Public Safety	-	73,897	-	-	-	73,897
Public Works	293,808	-	-	-	-	293,808
Health and Human Services	-	185,925	-	-	-	185,925
Culture and Recreation	-	-	-	-	-	760,626
Conservation and Development	-	-	451,448	-	51,093	537,289
Capital Outlay	-	-	-	-	-	30,036
Total Expenditures	<u>293,808</u>	<u>259,822</u>	<u>455,781</u>	<u>150</u>	<u>51,243</u>	<u>1,886,214</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,541)	(5,550)	517,249	97,974	2,539	781,817
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	378,526	-	378,526
Transfers Out	-	-	(377,930)	-	-	(377,930)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(377,930)</u>	<u>378,526</u>	<u>-</u>	<u>596</u>
NET CHANGE IN FUND BALANCES	(30,541)	(5,550)	139,319	476,500	2,539	782,413
Fund Balances - Beginning of Year	42,710	59,609	305,955	(132,597)	5,068	2,057,299
FUND BALANCES - END OF YEAR	<u>\$ 12,169</u>	<u>\$ 54,059</u>	<u>\$ 445,274</u>	<u>\$ 343,903</u>	<u>\$ 7,607</u>	<u>\$ 2,839,712</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Port Washington
Port Washington, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Port Washington, Wisconsin, (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Port Washington’s Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 27, 2026

**CITY OF PORT WASHINGTON, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

Section I – Internal Control Over Financial Reporting

Finding No.

2025-001

Segregation of Duties

Type of Finding:

Material Weakness in Internal Control over Financial Reporting
Repeat finding of 2024-002

Condition:

The City has a limited number of employees to essentially complete all financial and recordkeeping duties of the City. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.

Criteria or Specific Requirement:

Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensure that no single employee has control over all phases of a transaction.

Cause:

The lack of segregation of duties is due to the limited number of employees.

Effect:

Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation:

We recommend that Management and the City Council continue to be aware of this condition and that they continue to monitor the transactions and the financial records of the City. We recommend the City periodically perform an assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud.

Management's Response:

Management and the Council are conscious of the City's staffing limitations. Management and the Council will continue to monitor the transactions and financial records of the City. Management and the Finance Department will continue to evaluate procedures including opportunities to improve segregation of duties and the internal control structure. There are a variety of mitigating controls currently in place to help identify potential errors or fraud. These processes include monthly detailed reports to the Council on the payments issued by the city, analytical reviews of budget to actual amounts by the finance department in preparation of the city's quarterly budget reports, quarterly budget reports issued to the Council and Department Heads, and analytical review of all revenues and expenditures during budget development. In addition, all department heads and several support staff also have online access to review the detailed transactions that have been posted to their respective accounts at any time.



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