

*****ATTACHMENTS*****



Comprehensive Annual Financial Report

City of Sheboygan, Wisconsin

For the Fiscal Year Ended December 31, 2016

CITY OF SHEBOYGAN, WISCONSIN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING
DECEMBER 31, 2016

CITY OF SHEBOYGAN, WISCONSIN
December 31, 2016

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May 2, 2017

TO: The Mayor, Common Council members and the residents of Sheboygan

The Comprehensive Annual Financial Report (CAFR) for the City of Sheboygan, Wisconsin for the fiscal year ending December 31, 2016 is hereby submitted. The report consists of management's representation concerning the finances of the City of Sheboygan. Consequently, responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and results of operations of the various funds and component units of the City of Sheboygan, Wisconsin in all material respects and completeness. All disclosures necessary to enable the reader to gain an understanding of the activities of the City of Sheboygan have been included.

The CAFR is presented in three sections:

- The unaudited **Introductory Section** includes the letter of transmittal, table of organization, and a list of principal elected and appointed officials. It is designed to give some basic background information to the reader.
- The **Financial Section** includes the independent auditors' report on the basic financial statements, Management's Discussion and Analysis, required supplementary information, and the combining and individual fund statements and schedules.
- The unaudited **Statistical Section** includes selected financial and demographic information generally presented on a multi-year basis.

COMMUNITY PROFILE

The City of Sheboygan was incorporated as a city on April 5, 1846. Located in Sheboygan County, the boundary encompasses 14.814 miles and has a population of 48,653. The city provides the full range of municipal services, including police and fire protection, parks and cultural activities, public works operations, parking and transit utilities, water and sewer utilities, community development and general administrative services.

The City of Sheboygan is a municipal corporation operating under a "Council/Mayor" form of government, with a City Administrator responsible for the day-to-day responsibilities of supervision, coordination, and administration of the city departmental activities, formulation, presentation and administration of the budget. Policy making and legislative authority are vested in a Common Council consisting of 16 members. The city is in the process of reducing the Common Council members from sixteen to ten. The council members elect the president of the council at the annual organizational meeting. The standing committees of the council are: Finance, Salaries and Grievances, Public Protection and Safety, Public Works and Law and Licensing. The Common Council is responsible for enacting ordinances, resolutions, and regulations governing the city as well as the appointment of members of various statutory and advisory boards.

The annual budget serves as the foundation for the City of Sheboygan's financial planning and control. All departments of the city are required to submit requests for appropriations for all government activities to the City Administrator. The departmental requests are used to develop the proposed budget, which is presented to the Common Council. The Common Council committees review proposed budgets with department leaders. A public hearing is held on the proposed budget prior to adoption by the Common Council. The tax levy is established based on the adopted budget.

FINANCE
DEPARTMENT

828 Center Avenue,
Suite 205
Sheboygan, WI 53081

920-459-3311 (Phone)
www.sheboyganwi.gov

Factors Affecting the Local Economy

Recent industrial and commercial developments in the city have added substantial net new construction. Construction by Acuity Insurance since 2014 added \$75 million, while Saco Polymers constructed a corporate headquarters at a value of \$5.1 million. Residential housing units totaling \$42.6 million are in various phases of construction to address the need for market rate housing. Seven single-family homes were constructed in 2016 at a value of \$1.5 million.

The median household income for the city as of 2015 was \$43,381 in comparison to \$53,357 for the State of Wisconsin per the American Community Survey. Median home value in the City is \$108,700, significantly less than the State of Wisconsin value of \$165,800. The unemployment rate as of January, 2017 is 3.7 percent, less than the State of Wisconsin rate of 4.2 percent per the Wisconsin Department of Workforce Development. The City of Sheboygan was cited by USA Today Money as a leader in the list of cities that are rebounding from the recession with the unemployment rate of 3.7 percent.

The City is experiencing substantial growth in residential development. Young professionals entering the job market has spurred interest in additional downtown residential development. Oakbrook Corporation began construction of 81 market rate apartments units to be completed in July, 2017. LCM Funds will begin construction in June, 2017 on 90 luxury market apartments on South 8th St. Occupancy in 88 new waterfront market rate townhomes will begin in April, 2017, Gorman Company began the conversion of a vacant elementary school into 42 units of Section 42 housing and city staff is working with a developer to convert a former 1920 tannery building into 115 apartments in the downtown corridor.

Sheboygan Paper Box is constructing a 30,000 square foot expansion to their facility with plans to add 30 new full-time employees by 2019 as a result of the expansion. Kiernan West, LLC received approval for a distribution facility in the business center to construct a 30,000 square foot distribution facility. The John Michael Kohler Art Center acquired land to build a 60,000 square foot state of the art visual storage facility to house their vernacular artist environments. Meijer foods plans to begin construction in April, 2019 on a new 159,000 square foot department store and Marriott will construct a new 160 room hotel under the flagship Fairfield Inn and Suites.

Policies affecting the current financial position

The City of Sheboygan is fiscally conservative, typically budgeting modest revenue expectations and actual expenditures below budgeted appropriations. The 2016 property tax levy increased .07 cents for city residents. State reimbursement for state mandated programs and revenue sharing continue at level amounts. The city participates and receives expenditure restraint funding annually. Revenues are estimated to remain stable. Constant monitoring and emphasis on the budget ensured that overall expenditures were within budget, overall revenues exceeded budgets in the General Fund increasing the Unassigned Fund Balance.

The city bargains with four unions and associations, the Sheboygan Professional Police Officers Association; Sheboygan Professional Police Officers Supervisory Association, International Association of Firefighters Local 483 and Amalgamated Transit Union #998. All of the contract terms expire on December 31, 2017.

The city maintains a Aa2 credit rating by Moody's rating service. General obligation outstanding debt at year end 2016 is \$34.8 million. The ratio of net outstanding debt to debt capacity is 20.36 percent. The city's debt policy has established a limit of an amount not to exceed 60 percent of the city's aggregate statutory borrowing limit as prescribed by State Statute 67.03 (1)(a), in order to maintain a borrowing appropriate with credit rating objectives and the city's desire to preserve its financial flexibility by maintaining an adequate unused margin to be available for extreme emergencies. The capital improvement program for 2017 includes \$5 million of debt to be issued.

The General Fund Unassigned balance as of December 31, 2016 is \$20.7 million, or 58 percent of the 2017 General Fund budget expenditures. The Common Council by resolution established to maintain the amount at 25 percent. For a more detailed examination of fund balance and results of operations consult the Management Discussion and Analysis section in the Financial Section.

Financial Information

The City of Sheboygan is required to prepare financial statements in conformity with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Major federal and state programs impose additional audit requirements.

Financial planning and control is maintained through the annual budget process. The city tax levy includes operation of the General Fund, Mead Public Library, General Obligation Debt Service, Capital Projects and Transit Utility. All departments are required to submit a requested budget to the City Administrator. The City Administrator's budget is presented to the Common Council in September for review by the Standing Committees and Committee of the Whole prior to the public hearing and formal adoption of the budget. Budget amendments during the year require approval by the Common Council for transfers between departments or from fund reserves. Approval requires two thirds majority vote of the Common Council. Transfers within a department may not require Common Council approval depending on the amount. Internal controls protect the assets from loss, theft of misuse and to compile sufficient, reliable data for the presentation of financial statements. Internal controls are designed not to outweigh the benefit; therefore controls have been designed to provide reasonable but not absolute assurance.

Cash temporarily idle during the year is invested with the objectives of safeguarding assets, maintaining liquidity for cash flow requirements, and return on investments. All investments must be insured and/or collateralized. Investments are generally within money market accounts, certificates of deposit, repurchase agreements, the State of Wisconsin Investment Pool, and US government agency obligations.

The City Administrator monitors all borrowing plans of the city. All new indebtedness requires a simple majority vote of the Common Council for budgeted borrowing passage. Non-budgeted borrowing requires a two third majority vote for passage. Wisconsin state statute limits general obligation borrowing to an amount equivalent to five percent of the equalized valuation of taxable property. At December 31, 2016, the city had 79.64 percent of the limit available. Equalized value for all property within the city was \$2.446 billion. The statutory debt limit is \$122 million and City net debt outstanding (less funds available for debt service) is \$24.9 million.

The city self-insures for workers compensation and health insurance. The city is a member of Cities and Villages Mutual Insurance Company, an organization uniquely designed to overcome the challenges facing Wisconsin municipalities in relation to diverse insurance and service needs. Members utilize insurance products, human resources, safety training and numerous other risk management services to build a successful program. All insurance is funded at the departmental level.

The city annually establishes a five-year Capital Improvement Plan to identify and fund capital projects. Departments submit requests to the City Administrator, who presents his recommendations to the Capital Improvement Commission. The commission rates the projects on a variety of measurements. The Common Council approves the final Capital Improvement Plan for funding.

The fund balance in the General Fund includes nonspendable, restricted, committed, assigned and unassigned. Fund balance in the Special Revenue, Debt Service, Capital Projects and Fiduciary funds are categorized as nonspendable, restricted, assigned or unassigned (deficit). Net position in the Business-type activities is either restricted or unrestricted. Unassigned funds are available for use and assigned funds are management's intended use, both accounted for separately from committed, includes self-imposed legal restrictions and restricted funds which are imposed by an outside party.

Other Information

The accounting firm of Schenck SC was engaged to conduct an audit of the basic financial statements and to issue a report on internal controls. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Sheboygan are free of material misrepresentation. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and any significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concludes, based on the audit, there was a

reasonable basis for rendering an unmodified opinion that the City of Sheboygan's financial statements for the fiscal year ending December 31, 2016, are fairly presented in conformity with GAAP and GASB. The independent auditor's report is presented as the first component of the financial section of the CAFR.


The city is required by federal mandate to undergo a "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require not only a report on the fair presentation of the financial statements but also on the internal controls and compliance with the legal requirements pertaining to internal controls and the administration of federal and state awards.

GAAP and GASB require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The City of Sheboygan's MD&A can be found immediately following the report of the independent auditor.

Acknowledgement

The preparation of this report would not have been possible without the dedicated service of the staff of the city, and especially the City Administrator and Common Council members for their support and commitment to maintaining the highest standards of professionalism.

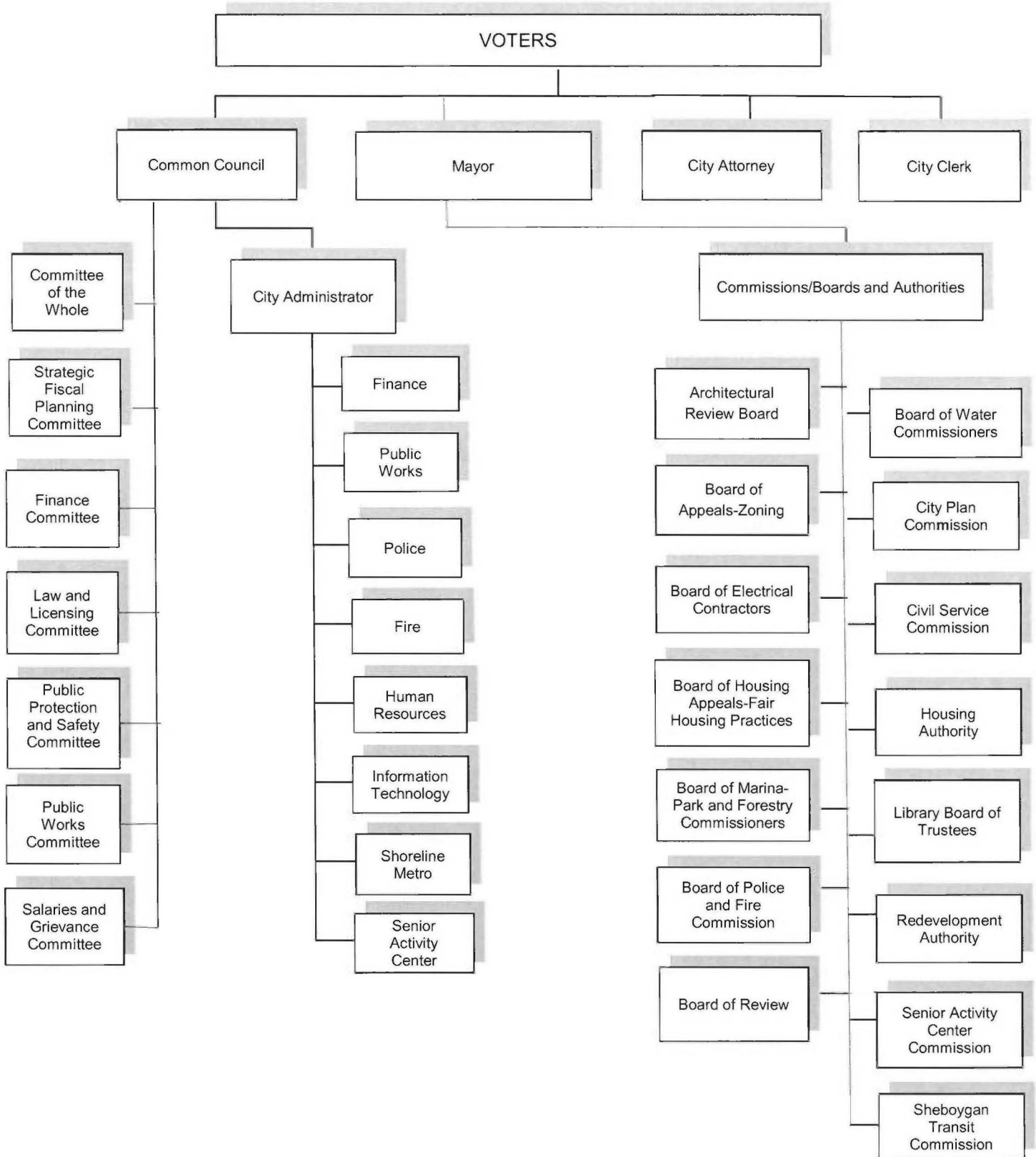
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Nancy Buss".

Nancy Buss
Finance Director, City of Sheboygan

CITY OF SHEBOYGAN, WISCONSIN

TABLE OF ORGANIZATION December 31, 2016



CITY OF SHEBOYGAN, WISCONSIN

MAYOR AND COMMON COUNCIL ALDERPERSONS STANDING COMMITTEES 2016 - 2017

Mary Lynne Donohue, Council President
Todd Wolf, Council Vice-President
Joseph Heidemann, Committee of the Whole Chairperson

Michael Vandersteen, Mayor

Finance Committee

Todd Wolf, Chairman*
James Bohren, Vice Chairman
John Belanger
Mary Lynne Donohue
Andrew Schneider

Public Protection and Safety

Bill Thiel, Chairman*
Rosemarie Trester, Vice Chairman
Michael Damrow
Roman Draughon
Susan Holzschuh

Salaries & Grievances

Mary Lynne Donohue, Chairman*
Joseph Heidemann, Vice Chairman
Scott Lewandoske
Andrew Schneider
Todd Wolf

Strategic Fiscal Planning

Mary Lynne Donohue
Todd Wolf
Bill Thiel
John Belanger
Susan Holzschuh

*Chairperson of each standing committee serve on Strategic Fiscal Planning

Law & Licensing

Susan Holzschuh, Chairman*
Roman Draughon, Vice Chairman
Mark Hermann
Job Hou-Seye
Rosemarie Trester

Public Works

John Belanger, Chairman*
Bill Thiel, Vice Chairman
Bryan Bitters
James Bohren
Tammy Rabe

City of Sheboygan, Wisconsin
Department Heads
December 31, 2016

City Administrator	Darrell Hofland
City Clerk	Susan Richards
City Attorney	Charles Adams
Municipal Court Judge	Natasha Torry
Chief of Police	Christopher Domagalski
Fire Chief	Michael Roman
Director of Public Works	David Biebel
Information Technology Director	David Augustin
Director of Human Resources	Sandra Rohrick
Director of City Planning & Development	Chad Pelishek
Director of Parking & Transit	Derek Muench
Finance Director	Nancy Buss
Library Director	Garrett Erickson
Water Utility Superintendent	Joseph Trueblood

INDEPENDENT AUDITORS' REPORT

To Mayor Michael Vandersteen and the Common Council
City of Sheboygan
Sheboygan, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin ("the City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Utility Enterprise fund, which is both a major fund and 58 percent, 59 percent, and 43 percent, respectively, of the assets, net position, and revenues of the City's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Utility Enterprise fund, is based solely on the report of the other auditors. We conducted our audit in accordance with 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 Harbor Centre Business Improvement District, a discretely presented component unit of the City, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, 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.

Change in Accounting Principle

As discussed in Note C.1 to the financial statements, in 2016 the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. As discussed in Note D.2 to the financial statements, the City also adopted new accounting guidance, GASB Statement No. 77, *Tax Abatement Disclosures*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 23 and the schedules relating to pensions and other post-employment benefits on pages 74 through 76 be presented to supplement the basic financial statements. Such information, although not 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.

Other 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 introductory section, the financial information listed in the table of contents as supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are also not a required part of the basic financial statements.

The supplementary information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, 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 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 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.

S chendek SC

Certified Public Accountants
Sheboygan, Wisconsin
May 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

The management's discussion and analysis and financial statements for the fiscal year December 31, 2016 are designed to assist the reader in focusing on significant fiscal issues' provide an overview of the city's financial activity; identify changes in the city's financial position as well as any material deviations from the financial plan (approved budget) and issues and concerns.

The management's discussion and analysis is designed to focus on the current year's activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Sheboygan exceeded liabilities and deferred inflows by \$206,410,523 (total net position) for the fiscal year reported, which is an increase of \$2,308,064 from the previous year.
- The 2016 results of governmental activities increased net position by \$470,383 and business-type activities increased net position by \$1,837,681.
- As of December 31, 2016, the fund balance for the governmental funds totaled \$43,977,059 and proprietary funds net position totaled \$68,314,101.
- The unassigned fund balance for the general fund was \$20,678,879, which represents 57.4 percent of the total general fund expenditures budgeted in 2017.
- The city's total net general obligation debt at December 31, 2016 was \$34.8 million, an increase of \$1.7 million from the December 31, 2015 level of \$33.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the city's basic financial statements. The basic financial statements include three components: 1) **government-wide** financial statements, 2) **fund** financial statements, 3) **notes** to the basic financial statements. The report also contains other supplementary and required supplementary information in addition to the basic financial statement.

Government-Wide Financial Statements

The government-wide financial statements (pages 24 - 26) are designed to be corporate-like in that governmental and business type activities are consolidated for a total of the primary government.

The *statement of net position* presents information on all of the city's assets, liabilities and deferred outflows/inflows of resources with the difference reported as net position. Net position is presented in five categories. The categories listed below are presented in order of increasing liquidity:

- 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.

FINANCE
DEPARTMENT

828 Center Avenue,
Suite 205
Sheboygan, WI 53081

920-459-3311 (Phone)
www.sheboyganwi.gov

Increasing or decreasing trends in net position may represent an indicator of the city's improving or deteriorating financial position.

The *statement of activities* presents information showing how the city's net position changed during the reported year. Both the gross and net cost of various activities (including governmental and business-type) and funding sources are summarized. All changes in net position are matched to the event in the fiscal period in which it occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statements for some events that will result in future cash flows.

Both of these government-wide financial statements distinguish functions of the City of Sheboygan that are principally supported by taxes and intergovernmental revenues (government activities) from functions that are intended to recover all or a material portion of the costs through user fees and charges (business-type activities). The governmental activities of the city include general government, public safety, public works, health and human services, culture and recreation and conservation and development. The business-type activities include proprietary funds water utility, sewerage system, transit commission, parking facility, and boat facility and internal service funds health self insurance, worker compensation self insurance, motor vehicle, data processing and general liability self insurance.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The city, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This traditional presentation focuses on the sources and uses of liquid resources and represents the basis for development of the financial plan (the budget). All of the funds can be divided into three categories: governmental, proprietary and fiduciary.

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

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

The city maintains 21 active individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the major funds: General Fund and the Debt Service GO Debt Fund. Information from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the nonmajor government funds is provided in the form of combining statements elsewhere in the report.

The city adopts an annual appropriated budget for governmental funds including the general fund, certain special revenue funds, debt service funds, capital project funds and fiduciary funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27 - 30 in the report.

Proprietary funds: The city maintains two different types of proprietary funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The city uses enterprise funds to account for water utility, sewerage system, transit commission, parking facility, and boat facility. Internal service funds are used to accumulate and allocate funds internally among the city's various functions. Internal service funds are used to account for health self insurance, worker compensation self insurance, motor vehicle, data processing and general liability self insurance. Both the enterprise funds and the internal funds are included in the business-type activities in the government-wide financial statement.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewerage system and water utility, which are considered to be major funds. Information on the other enterprise funds are combined in a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 33 - 36 in the report.

Fiduciary funds: Fiduciary and Agency funds are used to account for resources held for the benefit of parties outside the government. Fiduciary and agency funds are included in the government-wide financial statements.

The basic agency fund financial statements can be found on page 37 of the report.

NOTES TO THE BASIC FINANCIAL STATEMENTS:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 38 - 73 of the report.

Other Information: The required supplementary information relating to pensions and other post-employment benefits and the combining statements are presented immediately following the notes to the basic financial statements. The required supplementary information, combining and individual fund statements and schedules can be found on pages 74 - 101 of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The discussion and analysis requires focus on the current-year results in comparison with the prior year and discussion on any positive or negative variance.

The net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sheboygan, assets and deferred outflows exceed liabilities and deferred inflows by \$206.4 million at the close of the most recent fiscal year.

The largest portion of the city's net position (59 percent) reflects the net investment in capital assets (e.g. land, buildings, improvements, infrastructure, machinery, etc.) at historic cost, less any outstanding related debt used to acquire the assets. The city uses the capital assets to provide services to the citizens: consequently, the assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate the liabilities.

City of Sheboygan
Condensed Statements of Net Position
For the Year Ended December 31, 2016 and 2015
(in thousand of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 95,525	\$ 99,843	\$ 21,146	\$ 20,212	\$ 116,671	\$ 120,055
Capital assets, net	106,282	101,991	70,322	69,547	176,604	171,538
Total Assets	201,807	201,834	91,468	89,759	293,275	291,593
Deferred outflows of resources	18,780	5,302	3,215	943	21,995	6,245
Long-term liabilities outstanding	45,062	39,468	21,997	21,090	67,059	60,558
Other liabilities	5,885	6,197	2,209	2,189	8,094	8,386
Total Liabilities	50,947	45,665	24,206	23,279	75,153	68,944
Deferred inflows of resources	31,978	24,280	1,728	511	33,706	24,791
Net Position						
Net investment in capital assets	72,567	68,763	49,660	49,034	122,227	117,797
Restricted	19,788	31,382	363	1,699	20,151	33,081
Unrestricted	45,307	37,046	18,726	16,178	64,033	53,224
Total Net Position	\$137,662	\$137,191	\$ 68,749	\$66,911	\$ 206,411	\$204,102

The city's unrestricted position of \$64.0 million may be used to meet the ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the city is able to report positive balances in all categories of net positions; for the city as a whole, as well as for the separate governmental and business-type activities.

City of Sheboygan
Statement of Activities and Change in Net Position
For the Year Ended December 31, 2016 and 2015
(in thousand of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 7,542	\$ 7,118	\$ 17,036	\$ 16,451	\$ 24,578	\$ 23,569
Operating grants and contributions	4,128	4,627	2,634	2,644	6,762	7,271
Capital grants and contributions	5,861	2,068	341	796	6,202	2,864
General revenues						
Taxes	23,538	24,738	512	512	24,050	25,250
Other taxes	2,017	1,993			2,017	1,993
Grants and contributions not restricted to specific programs	12,065	12,148			12,065	12,148
Other	834	1,342	208	254	1,042	1,596
Total revenue	<u>55,985</u>	<u>54,034</u>	<u>20,731</u>	<u>20,657</u>	<u>76,716</u>	<u>74,691</u>
Expense:						
General government	5,445	4,565			5,445	4,565
Public safety	25,226	21,536			25,226	21,536
Public works	11,717	10,488			11,717	10,488
Health and human services	227	248			227	248
Culture and recreation	6,044	6,352			6,044	6,352
Conservation and development	6,815	3,794			6,815	3,794
Interest on long-term debt	1,500	1,560			1,500	1,560
Sewerage system			6,953	6,581	6,953	6,581
Water utility			5,686	5,697	5,686	5,697
Transit commission			4,249	4,485	4,249	4,485
Parking utility			448	389	448	389
Boat facility			97	85	97	85
Total Expense	<u>56,974</u>	<u>48,543</u>	<u>17,433</u>	<u>17,237</u>	<u>74,407</u>	<u>65,780</u>
Increase (decrease) in net position before transfers	(989)	5,491	3,298	3,420	2,309	8,911
Net transfers	1,460	1,445	(1,460)	(1,445)		
Change in net position	<u>471</u>	<u>6,936</u>	<u>1,838</u>	<u>1,975</u>	<u>2,309</u>	<u>8,911</u>
Net Position - January 1	137,191	130,255	66,911	64,936	204,102	195,191
Net Position - December 31	<u>\$137,662</u>	<u>\$137,191</u>	<u>\$ 68,749</u>	<u>\$66,911</u>	<u>\$ 206,411</u>	<u>\$204,102</u>

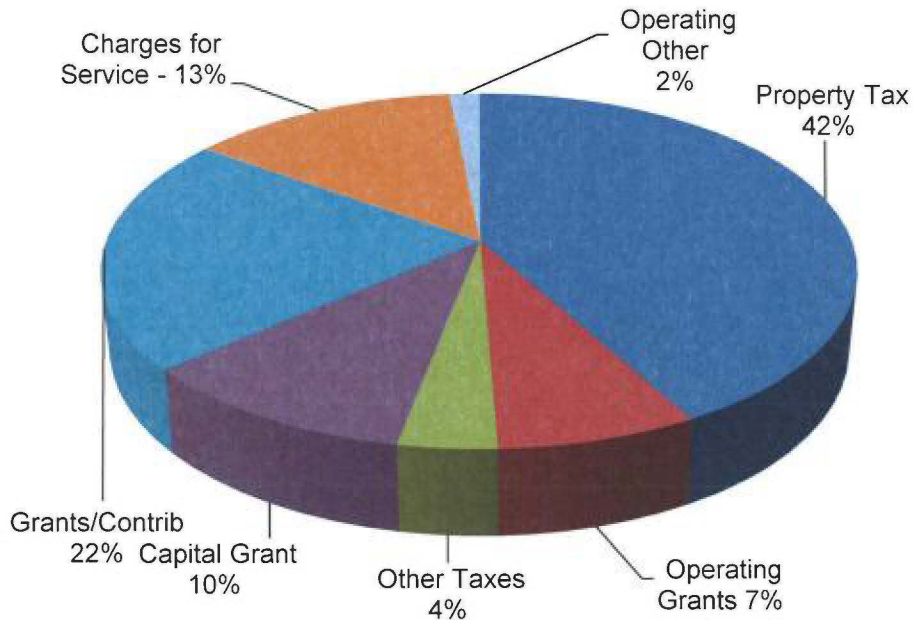
Governmental Activities

Governmental activities increased the city’s net position by \$470 thousand (page 26) during the current year. Details of significant changes are listed below.

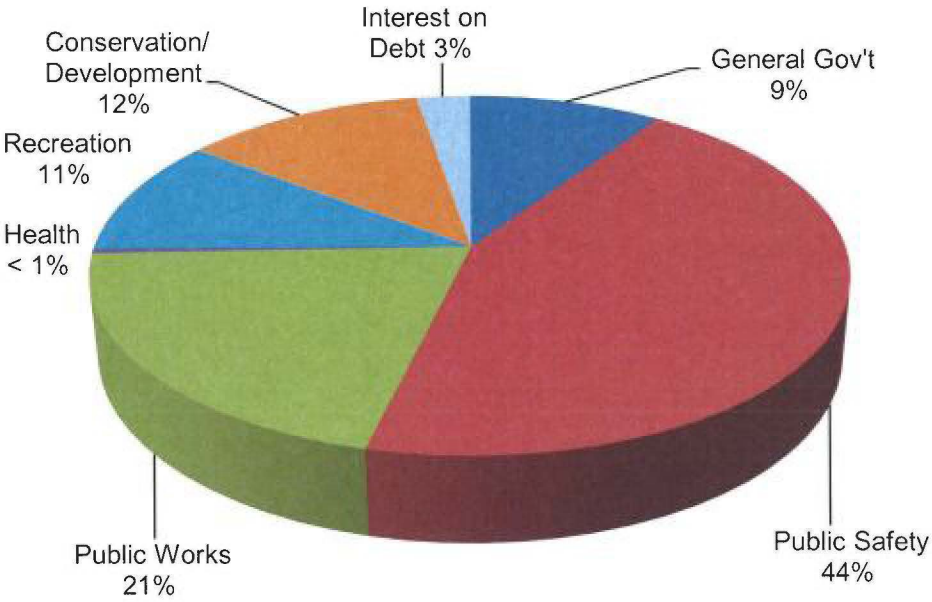
Key elements of change are as follows:

- Governmental activity capital grants and contributions increased \$3.8 million, all within public works activities.
- Taxes decreased \$1.2 million in the Tax Incremental Districts.
- Governmental activity expenses increased \$8.4 million over 2015.
 - Public safety activities expense increased \$3.7 million of which \$2.5 million was an expense to Sheboygan County for dispatch services.
 - General government activities increase of \$880 thousand largely due to payment of rescinded tax.
 - Public works activities increased the amount of noncapital street maintenance and repairs.
- Conservation and development increased substantially in Tax Incremental District project expenses.

Governmental activities operating revenue by source include \$23.5 million of tax revenue or 42 percent of total revenue. Operating grants and contribution revenues total \$4.1 million or 7 percent of revenues. The chart below illustrates the revenues by source.



Governmental activities operating expenses totaled \$57 million, an increase of \$8.4 million over 2015. The chart below illustrates the largest expense of the city is 44 percent of total expenses for Public Safety.



Business-type Activities

Business-type activities increased the city's net position by \$1.8 million. Key elements of this change are as follows:

- The Water Utility recorded an increase in net position of \$2.2 million. Operating revenue exceeded operating expenses by \$3.3 million.
- The Sewerage System recorded an operating profit of \$298 thousand.
- The Transit Commission, Parking Facility and Boat Facility each experienced reductions in net position totaling \$425 thousand.

Financial Analysis of the City of Sheboygan's Funds:

The city utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of city government is to provide information on near-term inflows, outflows and balances of spendable resources. The information is useful to assess financial requirements. The unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the city's governmental funds reported combined ending fund balances of \$44 million, an increase of \$800 thousand. The unassigned fund balance, net of the Harbor Centre Marina, \$17.3 million is available for spending at the Common Council's discretion. The remainder of the fund balance is categorized as follows:

- Non-spendable for inventories and prepaid items (\$265 thousand); long-term accounts and interfund receivables (\$1.3 million); cemetery perpetual care (\$870 thousand) and library trust (\$600 thousand).
- Restricted in the amount of \$15 million as a result of external restrictions or enabling legislation.
- Committed by the Common Council for development purposes in the amount of \$350 thousand.
- Assigned by the Common Council for debt service in the amount of \$8.2 million and \$65 thousand for subsequent year expenditures.

The General Fund is the main operating fund of the city. At the end of the current year the assigned and unassigned fund balance of the General Fund was \$20.7 million and the total fund balance was \$22.5 million. As a measure of funds liquidity, it may be useful to compare both assigned and unassigned fund balances and total fund balance to the total fund's expenditures. Liquid fund balance represents 56 percent of the total fund expenditures, while total fund balance represents 61 percent of the same amount.

The Common Council by resolution established a policy to maintain the General Fund unassigned fund balance at an amount of 25 percent of the subsequent years general fund expenditures, not including debt service. The objective of the city is to preserve the credit worthiness of the city for issuing debt at favorable interest rates and to provide working capital to meet cash flow needs during the year.

Proprietary Funds: The statements of the proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of all the proprietary operations at the end of the year amounted to \$18.3 million, an increase of \$2.5 million over 2015. Factors concerning the operational results of these funds have already been discussed in the discussion of the city's business-type activities.

General Fund Budgetary Highlights

General Fund revenues exceeded the final budget by \$658 thousand, of which \$497 thousand is attributable to licenses and permits. Operating expenditures were \$2.3 million under budgeted, of which \$847 thousand was police and \$536 thousand was fire.

Capital Assets and Debt Administration

Capital assets: The city's investment in capital assets for the governmental and business-type activities at the end of the current year totaled \$176.6 million (net of depreciation). The investment in assets include land, building, machinery, equipment and infrastructure. The chart below compares 2016 to 2015 capital assets.

City of Sheboygan's Capital Assets
For the Year Ended December 31, 2016 and 2015
(in thousand of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 15,992	\$ 16,392	\$ 888	\$ 888	\$ 16,880	\$ 17,280
Buildings and improvements	16,440	17,137	7,384	6,008	23,824	23,145
Improvements other than buildings	7,756	2,637	6,403	6,342	14,159	8,979
Machinery and equipment	6,847	5,591	8,315	7,536	15,162	13,127
Infrastructure	59,063	60,233	37,841	36,739	96,904	96,972
Construction in progress	183	-	9,491	12,034	9,674	12,034
Total Capital Assets	<u>\$106,281</u>	<u>\$101,990</u>	<u>\$ 70,322</u>	<u>\$69,547</u>	<u>\$ 176,603</u>	<u>\$171,537</u>

Additional information on the city's capital assets can be found on Note C.4 of the notes to the financial statements on pages 52 - 53 of the report.

Long-term Debt: The City of Sheboygan's total bonded debt outstanding at fiscal year-end 2016 was \$34.8 million, all backed by the full faith and credit of the government. The city maintains a Aa2 credit rating by Moody's Investors Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of the total equalized valuation. The outstanding debt limit for the City of Sheboygan as of December 31, 2016 was \$122.3 million based on the 2016 equalized valuation of \$2.4 billion. The Common Council has established a policy to maintain outstanding debt in an amount not exceeding 60 percent of the city's aggregate statutory borrowing limited prescribed by State Statute.

The city issued \$3 million general obligation debt and \$3.7 million debt for Tax Incremental District 16. The city refinanced \$6.5 million Tax Increment District 6 debt and \$420 thousand of Tax Increment District 11 debt. General obligation debt and bonds totaled \$34.8 million at fiscal year-end 2016, which is 1.4 percent of the city's equalized valuation.

Additional information on the city's long-term debt can be found in Note C.6 on pages 56 - 60 of the report.

Economic Factors and Next Year's Budget Rates

The city's annual unemployment rate for December 2016 of 3.9 percent is favorably to the State of Wisconsin's rate of 4.1 percent. The economic outlook is slow steady growth.

- The city's anticipates an increase of \$41 million in the equalized property tax base for 2016.
- The housing market has grown significantly with units totaling \$42.6 million in various phases of construction to address the need for market rate housing. Seven single-family homes were constructed in 2016 at a value of \$1.5 million.
- City wage rates are budgeted to increase two percent in 2017 and the health insurance is not expected to increase as the city implemented a high deductible health plan in 2015. All employees contribute to the WI Retirement defined benefit plan, with the city matching the employer share of contribution.
- The city bargains with four unions and associations, the Sheboygan Professional Police Officers Association; Sheboygan Professional Police Officers Supervisory Association, International Association of Firefighters Local 483 and Amalgamated Transit Union #998. All of the contract terms will expire at the same time on December 31, 2017.
- The city refinanced Tax Increment District debt in 2016 to lower interest rates.
- The city anticipates Moody's Investors Service will retain the Aa2 level.
- The capital improvement plan for 2016 anticipates borrowing \$5 million in 2017.

All of the above factors were consideration in preparation of the 2017 budget.

Requests for Information

The financial report is designed to provide a general overview of the City of Sheboygan's finances for all those with an interest. Additional information on items provided in the report can be requested in writing addressed to the City of Sheboygan Finance Department, 828 Center Avenue Suite. 205, Sheboygan WI 53081 or viewed on the city website sheboyganwi.gov under the Finance Department.

BASIC FINANCIAL STATEMENTS

CITY OF SHEBOYGAN, WISCONSIN
Statement of Net Position
December 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Centre Business Improvement District
ASSETS					
Cash and investments	\$ 55,340,696	\$ 16,517,287	\$ 71,857,983	\$ 4,049,927	\$ 25,151
Receivables					
Taxes	24,967,954	601,020	25,568,974	-	-
Accounts	1,204,303	2,059,053	3,263,356	42,509	2,660
Special assessments	810,006	580,051	1,390,057	-	-
Loans	8,708,632	-	8,708,632	-	-
Other	124,726	27,769	152,495	29,319	-
Internal balances	271,195	(271,195)	-	-	-
Due from other governments	1,581,302	347,019	1,928,321	64,957	-
Inventories and prepaid items	310,731	325,218	635,949	35,875	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	959,942	959,942	109,433	-
Capital assets, nondepreciable					
Land	15,991,989	887,683	16,879,672	346,943	-
Construction in progress	182,666	9,491,594	9,674,260	124,068	-
Capital assets, depreciable					
Buildings and improvements	32,814,756	21,957,058	54,771,814	8,770,469	-
Improvements other than buildings	19,232,709	27,069,879	46,302,588	-	1,500
Machinery and equipment	20,996,085	33,177,869	54,173,954	861,863	9,291
Infrastructure	121,025,850	63,999,484	185,025,334	-	-
Less: Accumulated depreciation	(103,962,698)	(86,261,598)	(190,224,296)	(7,562,316)	(5,713)
TOTAL ASSETS	201,806,567	91,468,133	293,274,700	6,873,047	32,889
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	18,780,593	3,214,960	21,995,553	173,717	-
LIABILITIES					
Accounts payable	1,926,654	1,375,912	3,302,566	17,817	15,215
Accrued and other current liabilities	2,748,249	721,732	3,469,981	235,915	1,608
Accrued interest payable	344,414	97,629	442,043	-	-
Due to other governments	726,637	2,979	729,616	-	-
Unearned revenues	138,664	10,477	149,141	1,882	-
Long-term Obligations					
Due within one year	6,367,188	1,364,060	7,731,248	-	-
Due in more than one year	33,811,952	20,058,348	53,870,300	-	-
Net pension liability	3,377,325	575,315	3,952,640	34,180	-
Other post employment benefits	1,505,861	-	1,505,861	-	-
TOTAL LIABILITIES	50,946,944	24,206,452	75,153,396	289,794	16,823
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	7,140,157	1,216,301	8,356,458	76,964	-
Property taxes levied for subsequent year	24,838,329	511,547	25,349,876	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	31,978,486	1,727,848	33,706,334	76,964	-
NET POSITION					
Net investment in capital assets	72,566,789	49,659,932	122,226,721	2,541,027	5,078
Restricted for					
Debt service	7,107,686	362,790	7,470,476	-	-
Tax incremental financing districts	2,474,551	-	2,474,551	-	-
Community development	8,030,485	-	8,030,485	-	-
Cemetery perpetual care	869,500	-	869,500	-	-
Library trust	1,306,132	-	1,306,132	-	-
Business improvement district	-	-	-	-	10,988
Housing assistance	-	-	-	27,391	-
Unrestricted	45,306,587	18,726,071	64,032,658	4,111,588	-
TOTAL NET POSITION	\$ 137,661,730	\$ 68,748,793	\$ 206,410,523	\$ 6,680,006	\$ 16,066

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,444,768	\$ 1,182,308	\$ 11,148	\$ -
Public safety	25,225,575	2,625,488	390,552	-
Public works	11,717,027	2,093,602	2,370,058	5,860,942
Health and human services	227,450	118,574	-	-
Culture and recreation	6,044,438	813,521	755,010	-
Conservation and development	6,814,846	708,871	600,776	-
Interest on debt	1,500,390	-	-	-
Total Governmental Activities	56,974,494	7,542,364	4,127,544	5,860,942
Business-type Activities				
Sewerage system	6,953,152	7,149,477	-	101,810
Water utility	5,686,315	8,639,818	6,450	238,799
Transit commission	4,248,573	820,505	2,627,871	-
Parking facility	448,263	364,862	-	-
Boat facility	96,892	61,400	-	-
Total Business-type Activities	17,433,195	17,036,062	2,634,321	340,609
Total Primary Government	\$ 74,407,689	\$ 24,578,426	\$ 6,761,865	\$ 6,201,551
Component Units				
Housing Authority of the City of Sheboygan	\$ 2,098,654	\$ 1,056,577	\$ 971,751	\$ -
Harbor Centre Business Improvement District	154,308	143,942	-	-
	\$ 2,252,962	\$ 1,200,519	\$ 971,751	\$ -

General revenues
Taxes
General property taxes
Tax increments
Other taxes
Federal and state grants and other contributions not restricted to specific functions
Interest and investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers
Change in net position
Net position - January 1
Net position - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District

\$ (4,251,312)	\$ -	\$ (4,251,312)	\$ -	\$ -
(22,209,535)	-	(22,209,535)	-	-
(1,392,425)	-	(1,392,425)	-	-
(108,876)	-	(108,876)	-	-
(4,475,907)	-	(4,475,907)	-	-
(5,505,199)	-	(5,505,199)	-	-
(1,500,390)	-	(1,500,390)	-	-
<u>(39,443,644)</u>	<u>-</u>	<u>(39,443,644)</u>	<u>-</u>	<u>-</u>

-	298,135	298,135	-	-
-	3,198,752	3,198,752	-	-
-	(800,197)	(800,197)	-	-
-	(83,401)	(83,401)	-	-
-	(35,492)	(35,492)	-	-
-	<u>2,577,797</u>	<u>2,577,797</u>	-	-
<u>(39,443,644)</u>	<u>2,577,797</u>	<u>(36,865,847)</u>	<u>-</u>	<u>-</u>

-	-	-	(70,326)	-
-	-	-	-	(10,366)
-	-	-	<u>(70,326)</u>	<u>(10,366)</u>

21,217,263	511,547	21,728,810	-	-
2,320,822	-	2,320,822	-	-
2,016,650	-	2,016,650	-	-
12,065,160	-	12,065,160	-	-
504,160	126,959	631,119	69,004	28
160,041	79,641	239,682	226,697	-
170,150	1,518	171,668	-	-
1,459,781	(1,459,781)	-	-	-
<u>39,914,027</u>	<u>(740,116)</u>	<u>39,173,911</u>	<u>295,701</u>	<u>28</u>
470,383	1,837,681	2,308,064	225,375	(10,338)
<u>137,191,347</u>	<u>66,911,112</u>	<u>204,102,459</u>	<u>6,454,631</u>	<u>26,404</u>
<u>\$ 137,661,730</u>	<u>\$ 68,748,793</u>	<u>\$ 206,410,523</u>	<u>\$ 6,680,006</u>	<u>\$ 16,066</u>

CITY OF SHEBOYGAN, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2016

	General	Debt Service GO Debt	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 20,719,208	\$ 4,624,647	\$ 18,402,470	\$ 43,746,325
Receivables				
Taxes	15,536,290	2,886,889	6,544,775	24,967,954
Accounts	374,634	-	829,669	1,204,303
Special assessments	177,117	-	632,889	810,006
Loans	10,000	-	8,698,632	8,708,632
Other	53,727	15,872	31,605	101,204
Due from other funds	1,960,501	2,811,581	-	4,772,082
Advance to other funds	805,132	-	77,730	882,862
Due from other governments	802,024	-	779,278	1,581,302
Inventories and prepaid items	171,385	-	93,162	264,547
TOTAL ASSETS	\$ 40,610,018	\$ 10,338,989	\$ 36,090,210	\$ 87,039,217
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 858,799	\$ -	\$ 756,384	\$ 1,615,183
Accrued and other current liabilities	1,645,394	-	157,566	1,802,960
Due to other funds	-	-	3,620,282	3,620,282
Due to other governments	2,311	-	724,326	726,637
Unearned revenues	-	-	138,664	138,664
Advance from other funds	-	-	1,328,775	1,328,775
Total Liabilities	2,506,504	-	6,725,997	9,232,501
Deferred Inflows of Resources				
Property taxes levied for subsequent year	15,406,665	2,886,889	6,544,775	24,838,329
Special assessments	169,753	-	631,925	801,678
Loans receivable	-	-	7,974,306	7,974,306
Accounts receivable	-	-	215,344	215,344
Total Deferred Inflows of Resources	15,576,418	2,886,889	15,366,350	33,829,657
Fund Balances				
Nonspendable				
Inventories and prepaid items	171,385	-	93,162	264,547
Long-term accounts and interfund receivables	1,261,419	-	-	1,261,419
Cemetery perpetual care	-	-	869,500	869,500
Library trust	-	-	600,000	600,000
Restricted				
Debt service	-	7,452,100	-	7,452,100
Tax incremental financing districts	-	-	2,474,551	2,474,551
Capital improvements	-	-	3,158,365	3,158,365
Community development	-	-	1,249,933	1,249,933
Library trust	-	-	706,132	706,132
Committed				
Development	350,000	-	-	350,000
Assigned				
Other	-	-	8,183,988	8,183,988
Subsequent year expenditures	65,413	-	-	65,413
Unassigned (deficit)	20,678,879	-	(3,337,768)	17,341,111
Total Fund Balances	22,527,096	7,452,100	13,997,863	43,977,059
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 40,610,018	\$ 10,338,989	\$ 36,090,210	\$ 87,039,217

(Continued)

CITY OF SHEBOYGAN, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2016

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page \$ 43,977,059

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. 101,450,244

The City's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:

Deferred outflows related to pension	18,222,336
Deferred inflow related to pension	(6,930,212)
Net pension liability	(3,278,021)

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

Special assessments	801,678
Accounts receivable	215,344
Loans receivable	7,974,306

Internal service funds reported in the statement of net position as governmental activities (see page 33) 17,258,411

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	\$ (35,844,553)
Bond premium	(218,453)
Bond discount	59,739
Capital leases payable	(1,131,924)
Unfunded post employment benefits	(1,505,861)
Compensated absences	(3,043,949)
Accrued interest on long-term obligations	(344,414)
	<u>(42,029,415)</u>

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 24) \$ 137,661,730

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended December 31, 2016

	General	Debt Service GO Debt	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 15,164,406	\$ 2,886,889	\$ 8,182,016	\$ 26,233,311
Special assessments	-	-	208,188	208,188
Intergovernmental	14,207,490	-	1,625,656	15,833,146
Licenses and permits	1,202,492	-	598,520	1,801,012
Fines and forfeits	309,263	-	732,004	1,041,267
Public charges for services	1,721,047	-	1,917,781	3,638,828
Intergovernmental charges for services	227,937	-	-	227,937
Miscellaneous	294,161	540,684	1,250,462	2,085,307
Total Revenues	33,126,796	3,427,573	14,514,627	51,068,996
Expenditures				
Current				
General government	4,689,064	-	460,646	5,149,710
Public safety	21,920,893	-	564,818	22,485,711
Public works	7,443,242	-	1,043,327	8,486,569
Health and human services	233,451	-	450	233,901
Culture and recreation	2,521,890	-	3,053,777	5,575,667
Conservation and development	257,317	-	4,301,908	4,559,225
Debt service				
Principal	-	3,420,277	1,721,686	5,141,963
Interest and fiscal charges	-	884,452	650,224	1,534,676
Capital outlay	-	-	6,263,323	6,263,323
Total Expenditures	37,065,857	4,304,729	18,060,159	59,430,745
Deficiency of Revenues Under Expenditures	(3,939,061)	(877,156)	(3,545,532)	(8,361,749)
Other Financing Sources (Uses)				
Long-term debt issued	-	-	13,645,000	13,645,000
Premium on long-term debt issued	-	59,271	49,079	108,350
Capital leases	-	-	664,000	664,000
Sale of capital assets	63,525	-	1,039,062	1,102,587
Payment to current noteholder	-	-	(6,940,000)	(6,940,000)
Transfers in	2,844,039	1,178,661	1,219,939	5,242,639
Transfers out	(2,992)	-	(4,654,866)	(4,657,858)
Total Other Financing Sources (Uses)	2,904,572	1,237,932	5,022,214	9,164,718
Net Change in Fund Balances	(1,034,489)	360,776	1,476,682	802,969
Fund Balances - January 1	23,561,585	7,091,324	12,521,181	43,174,090
Fund Balances - December 31	\$ 22,527,096	\$ 7,452,100	\$ 13,997,863	\$ 43,977,059

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended December 31, 2016

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page	\$	802,969
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital assets reported as capital outlay in governmental fund statements	\$	2,709,251
Contributed capital assets		5,427,000
Depreciation expense reported in the statement of activities		<u>(4,209,387)</u>
Amount by which capital outlay is less than depreciation in current period		3,926,864
<p>In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.</p>		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$	(440,000)
Gain (loss) on disposition reported on the statement of activities		<u>(19,158)</u>
Cost of assets disposed of		(459,158)
<p>Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:</p>		
		(115,386)
<p>Changes in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.</p>		
		(2,176,991)
<p>Special assessments are recorded as revenues when collected in the governmental funds; however, in the government-wide financial statements, special assessments are recognized as revenue when levied</p>		
Special assessments levied	\$	277,919
Special assessment collections		<u>(283,162)</u>
Accounts receivable deferred and collected after the period of availability		53,912
<p>Loans issued by the City are recorded as an expenditure in the governmental funds when paid and loan repayments are recognized as a revenue when received. The issuance of loans or the receipt of repayments does not have an effect on net position.</p>		
Loans issued	\$	1,690,000
Loan repayments received		<u>(1,153,600)</u>
Some capital assets acquired during the year were financed with debt. In addition, debt was issued to refinance existing debt obligations. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position; however, debt constitutes a long-term liability. Debt issued in the current year is:		(14,309,000)
<p>Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:</p>		
		12,068,448
<p>Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.</p>		
		15,056
<p>Bond premiums and discounts are reported in the governmental funds as revenues and expenditures. In the statement of activities these costs are capitalized and amortized over the life of the bonds.</p>		
Bond premium		(82,781)
Bond discount		(6,843)
<p>Internal service funds are used by the City to charge the costs of motor vehicle, data processing, health, workers compensation and general liability to individual funds.</p>		
		<u>222,136</u>
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 25 - 26)	\$	<u><u>470,383</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,155,073	\$ 15,155,073	\$ 15,164,406	\$ 9,333
Intergovernmental	14,085,337	14,218,611	14,207,490	(11,121)
Licenses and permits	705,165	705,165	1,202,492	497,327
Fines and forfeits	293,100	327,765	309,263	(18,502)
Public charges for services	1,436,064	1,520,064	1,721,047	200,983
Intergovernmental charges for services	220,950	220,950	227,937	6,987
Miscellaneous	315,527	321,527	294,161	(27,366)
Total Revenues	32,211,216	32,469,155	33,126,796	657,641
Expenditures				
General Government				
Council	123,630	133,716	131,259	2,457
Mayor	410,249	462,649	462,469	180
City clerk	346,859	364,192	343,895	20,297
Elections	157,698	190,000	118,757	71,243
Finance	1,249,803	1,754,415	1,454,464	299,951
Assessor	419,856	380,428	378,243	2,185
Personnel	240,757	271,031	271,025	6
City attorney	434,237	435,787	413,855	21,932
City insurance	398,394	398,394	332,145	66,249
City buildings	753,785	857,095	782,690	74,405
Board of review	1,550	1,550	262	1,288
Total General Government	4,536,818	5,249,257	4,689,064	560,193
Public Safety				
Police	11,792,719	14,597,852	13,750,677	847,175
Fire	7,990,633	8,015,895	7,479,942	535,953
Building inspection	678,448	728,944	684,486	44,458
Emergency operations	1,200	1,200	422	778
Civil defense	5,600	11,600	5,366	6,234
Total Public Safety	20,468,600	23,355,491	21,920,893	1,434,598
Public Works				
Department of public works	249,542	249,542	243,974	5,568
Engineering	532,927	603,927	603,306	621
Streets department	4,087,751	4,505,851	4,521,465	(15,614)
Sanitation department	2,387,878	2,295,878	2,072,527	223,351
Incinerator	10,000	2,200	1,970	230
Total Public Works	7,268,098	7,657,398	7,443,242	214,156
Health and Human Services				
Cemetery	241,577	247,952	233,451	14,501

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Culture and Recreation				
Park department	2,267,130	2,416,365	2,346,564	69,801
Senior citizen center	172,193	179,993	175,326	4,667
Total Culture and Recreation	<u>2,439,323</u>	<u>2,596,358</u>	<u>2,521,890</u>	<u>74,468</u>
Conservation and Development				
City development	<u>254,880</u>	<u>257,380</u>	<u>257,317</u>	<u>63</u>
Total Expenditures	<u>35,209,296</u>	<u>39,363,836</u>	<u>37,065,857</u>	<u>2,297,979</u>
Deficiency of Revenues Under Expenditures	<u>(2,998,080)</u>	<u>(6,894,681)</u>	<u>(3,939,061)</u>	<u>2,955,620</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	63,525	63,525
Transfers in	3,001,625	3,001,625	2,844,039	(157,586)
Transfers out	(3,545)	(3,545)	(2,992)	553
Total Other Financing Sources (Uses)	<u>2,998,080</u>	<u>2,998,080</u>	<u>2,904,572</u>	<u>(93,508)</u>
Net Change in Fund Balance	-	(3,896,601)	(1,034,489)	2,862,112
Fund Balance - January 1	<u>23,561,585</u>	<u>23,561,585</u>	<u>23,561,585</u>	-
Fund Balance - December 31	<u>\$ 23,561,585</u>	<u>\$ 19,664,984</u>	<u>\$ 22,527,096</u>	<u>\$ 2,862,112</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN

Statement of Net Position

Proprietary Funds

December 31, 2016

	Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Nonmajor Enterprise Funds		
ASSETS					
Cash and investments	\$ 6,938,095	\$ 5,957,663	\$ 3,621,529	\$ 16,517,287	\$ 11,594,371
Receivables					
Taxes	73,370	-	527,650	601,020	-
Accounts	780,200	1,257,911	20,942	2,059,053	-
Special assessments	-	456,198	123,853	580,051	-
Other	10,689	10,686	6,394	27,769	23,522
Due from other governments	-	155,595	191,424	347,019	-
Inventories and prepaid items	-	299,712	25,506	325,218	46,184
Restricted assets					
Cash and investments	-	959,942	-	959,942	-
Advance to other funds	-	-	445,913	445,913	-
Deposit with CVMIC	-	-	-	-	2,205,665
Capital assets, nondepreciable					
Land	2,000	133,671	752,012	887,683	-
Construction in progress	8,118,224	1,373,370	-	9,491,594	99,082
Capital assets, depreciable					
Buildings and improvements	12,371,095	8,833,549	752,414	21,957,058	-
Improvements other than buildings	23,905,496	-	3,164,383	27,069,879	-
Machinery and equipment	14,400,631	12,678,442	6,098,796	33,177,869	13,642,751
Infrastructure	23,990,434	40,009,050	-	63,999,484	-
Less: Accumulated depreciation	(59,215,836)	(18,600,208)	(8,445,554)	(86,261,598)	(8,910,720)
TOTAL ASSETS	31,374,398	53,525,581	7,285,262	92,185,241	18,700,855
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	788,998	1,123,908	1,302,054	3,214,960	558,257
LIABILITIES					
Accounts payable	545,375	575,111	255,426	1,375,912	311,471
Accrued and other current liabilities	56,189	564,316	101,227	721,732	945,289
Accrued interest payable	39,913	57,716	-	97,629	-
Due to other funds	-	1,151,800	-	1,151,800	-
Due to other governments	-	-	2,979	2,979	-
Unearned revenues	10,386	-	91	10,477	-
Long-term obligations					
Due within one year	495,855	868,205	-	1,364,060	-
Due in more than one year	9,349,185	10,709,163	-	20,058,348	-
Net pension liability	140,506	200,307	234,502	575,315	99,304
TOTAL LIABILITIES	10,637,409	14,126,618	594,225	25,358,252	1,356,064
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	297,050	423,479	495,772	1,216,301	209,945
Property taxes levied for subsequent year	-	-	511,547	511,547	-
TOTAL DEFERRED INFLOWS OF RESOURCES	297,050	423,479	1,007,319	1,727,848	209,945
NET POSITION					
Net investment in capital assets	13,727,004	33,610,877	2,322,051	49,659,932	4,831,113
Restricted for					
Debt service	-	362,790	-	362,790	-
Unrestricted	7,501,933	6,125,725	4,663,721	18,291,379	12,861,990
TOTAL NET POSITION	\$ 21,228,937	\$ 40,099,392	\$ 6,985,772	68,314,101	17,693,103
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds				434,692	(434,692)
Net Position, as reported in the Statement of Net Position in the government-wide financial statements				<u>\$ 68,748,793</u>	<u>\$ 17,258,411</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Nonmajor Enterprise Funds		
Operating Revenues					
Charges for services	\$ 6,980,303	\$ 8,487,863	\$ 1,153,375	\$ 16,621,541	\$ 9,577,632
Other	169,174	151,955	93,392	414,521	67,297
Total Operating Revenues	<u>7,149,477</u>	<u>8,639,818</u>	<u>1,246,767</u>	<u>17,036,062</u>	<u>9,644,929</u>
Operating Expenses					
Personal services	1,922,238	1,914,926	3,075,553	6,912,717	1,384,236
Contractual services	2,420,068	1,467,531	466,391	4,353,990	1,135,147
Supplies and materials	1,014,705	248,955	599,827	1,863,487	252,775
Insurance	35,727	123,047	127,967	286,741	5,803,067
Other	346,144	233,125	103,720	682,989	1,182,581
Depreciation	1,112,782	1,365,699	400,627	2,879,108	858,109
Total Operating Expenses	<u>6,851,664</u>	<u>5,353,283</u>	<u>4,774,085</u>	<u>16,979,032</u>	<u>10,615,915</u>
Operating Income (Loss)	<u>297,813</u>	<u>3,286,535</u>	<u>(3,527,318)</u>	<u>57,030</u>	<u>(970,986)</u>
Nonoperating Revenues (Expenses)					
Property taxes	-	-	511,547	511,547	-
Intergovernmental	-	6,450	2,627,871	2,634,321	-
Investment income	76,011	15,286	35,662	126,959	70,719
Miscellaneous revenues	-	-	10,446	10,446	-
Interest expense	(217,824)	(333,032)	-	(550,856)	-
Interest charged to construction	-	64,850	-	64,850	-
Amortization of premium	-	4,345	-	4,345	-
Gain on disposal of assets	1,518	-	-	1,518	344,096
Total Nonoperating Revenues (Expenses)	<u>(140,295)</u>	<u>(242,101)</u>	<u>3,185,526</u>	<u>2,803,130</u>	<u>414,815</u>
Income (Loss) Before Contributions and Transfers	<u>157,518</u>	<u>3,044,434</u>	<u>(341,792)</u>	<u>2,860,160</u>	<u>(556,171)</u>
Capital contributions	101,810	238,799	-	340,609	-
Transfers in	-	-	8,694	8,694	1,000,000
Transfers out	(249,674)	(1,127,126)	(91,675)	(1,468,475)	(125,000)
Change in Net Position	<u>9,654</u>	<u>2,156,107</u>	<u>(424,773)</u>	<u>1,740,988</u>	<u>318,829</u>
Net Position - January 1	<u>21,219,283</u>	<u>37,943,285</u>	<u>7,410,545</u>	<u>66,573,113</u>	<u>17,374,274</u>
Net Position - December 31	<u>\$ 21,228,937</u>	<u>\$ 40,099,392</u>	<u>\$ 6,985,772</u>	<u>\$ 68,314,101</u>	<u>\$ 17,693,103</u>
Change in net position, as reported above				\$ 1,740,988	\$ 318,829
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds				<u>96,693</u>	<u>(96,693)</u>
Change in Net Position, as reported in the Statement of Activities in the government wide financial statements				<u>\$ 1,837,681</u>	<u>\$ 222,136</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Nonmajor Enterprise Funds		
Cash Flows from Operating Activities					
Receipts from customers	\$ 7,129,502	\$ 8,475,938	\$ 1,261,426	\$ 16,866,866	\$ 9,636,586
Payments to suppliers	(3,769,218)	(2,365,545)	(1,144,409)	(7,279,172)	(9,065,871)
Payments to employees	(1,866,032)	(1,479,811)	(2,965,725)	(6,311,568)	(1,326,771)
Net Cash Provided (Used) by Operating Activities	<u>1,494,252</u>	<u>4,630,582</u>	<u>(2,848,708)</u>	<u>3,276,126</u>	<u>(756,056)</u>
Cash Flows from Noncapital and Related Financing Activities					
Property taxes	-	-	511,547	511,547	-
Intergovernmental grants	-	-	2,627,871	2,627,871	-
Nonoperating revenue	-	-	10,446	10,446	-
Transfer in (out)	(249,674)	(1,086,481)	8,694	(1,327,461)	875,000
Collection of assessments for customer owned laterals	-	(119,293)	-	(119,293)	-
Advances from other funds	-	83,400	-	83,400	-
Interest on advance from other funds	-	(13,515)	(91,675)	(105,190)	-
Interest on advance from other funds	-	(7,385)	(106,809)	(114,194)	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(249,674)</u>	<u>(1,143,274)</u>	<u>2,960,074</u>	<u>1,567,126</u>	<u>875,000</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(338,651)	(3,084,909)	(164,070)	(3,587,630)	(1,680,857)
Proceeds from sale of capital assets	1,518	-	-	1,518	344,096
Proceeds of capital debt	538,636	3,168,537	-	3,707,173	-
Principal payments on capital debt	(683,877)	(2,939,230)	-	(3,623,107)	-
Interest payments on capital debt	(218,832)	(334,800)	-	(553,632)	-
Debt issuance premium	-	37,232	-	37,232	-
Net Cash Used by Capital and Related Financing Activities	<u>(701,206)</u>	<u>(3,153,170)</u>	<u>(164,070)</u>	<u>(4,018,446)</u>	<u>(1,336,761)</u>
Cash Flows from Investing Activities					
Interest received	<u>76,011</u>	<u>15,286</u>	<u>35,662</u>	<u>126,959</u>	<u>70,719</u>
Change in Cash and Cash Equivalents	<u>619,383</u>	<u>349,424</u>	<u>(17,042)</u>	<u>951,765</u>	<u>(1,147,098)</u>
Cash and Cash Equivalents - January 1	<u>6,318,712</u>	<u>6,568,181</u>	<u>3,638,571</u>	<u>16,525,464</u>	<u>12,741,469</u>
Cash and Cash Equivalents - December 31	<u>\$ 6,938,095</u>	<u>\$ 6,917,605</u>	<u>\$ 3,621,529</u>	<u>\$ 17,477,229</u>	<u>\$ 11,594,371</u>

CITY OF SHEBOYGAN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Nonmajor Enterprise Funds		
Reconciliation to Statement of Net Position					
Unrestricted cash and investments	\$ 6,938,095	\$ 5,957,663	\$ 3,621,529	\$ 16,517,287	\$ 11,594,371
Restricted cash and investments	-	959,942	-	959,942	-
	<u>\$ 6,938,095</u>	<u>\$ 6,917,605</u>	<u>\$ 3,621,529</u>	<u>\$ 17,477,229</u>	<u>\$ 11,594,371</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 297,813	\$ 3,286,535	\$ (3,527,318)	\$ 57,030	\$ (970,986)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,112,782	1,365,699	400,627	2,879,108	858,109
Depreciation charged to clearing and other funds	-	123,719	-	123,719	-
Intergovernmental revenues	-	6,450	-	6,450	-
Change in pension related liabilities (assets) and deferred outflows/inflows of resources	56,206	97,268	96,061	249,535	58,071
Changes in assets and liabilities					
Receivables	(20,277)	(232,030)	(32,574)	(284,881)	(8,343)
Due from other governments	-	(15,317)	47,235	31,918	-
Inventories and prepaid items	-	(11,603)	(20,889)	(32,492)	1,262
Accounts payable	42,925	18,390	172,823	234,138	20,276
Accrued and other current liabilities	4,501	(8,529)	13,767	9,739	(714,445)
Due to other governments	-	-	1,562	1,562	-
Unearned revenues	302	-	(2)	300	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,494,252</u>	<u>\$ 4,630,582</u>	<u>\$ (2,848,708)</u>	<u>\$ 3,276,126</u>	<u>\$ (756,056)</u>
Noncash Investing, Capital and Financing Activities					
Amortization of premium	\$ -	\$ 4,345	\$ -	\$ 4,345	\$ -
Capital contributions	\$ 101,810	\$ 238,799	\$ -	\$ 340,609	\$ -
Interest charge to construction	\$ -	\$ 64,850	\$ -	\$ 64,850	\$ -

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN

Statement of Fiduciary Net Position

Agency Funds

December 31, 2016

	Property Tax Collection	Business Improvement District	Totals
ASSETS			
Cash and investments	\$ 24,612,980	\$ 9,656	\$ 24,622,636
Receivables			
Taxes	15,766,537	133,567	15,900,104
Special assessments	-	6,415	6,415
TOTAL ASSETS	<u>\$ 40,379,517</u>	<u>\$ 149,638</u>	<u>\$ 40,529,155</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ 18,558	\$ 250	\$ 18,808
Due to other governments	40,360,959	149,388	40,510,347
TOTAL LIABILITIES	<u>\$ 40,379,517</u>	<u>\$ 149,638</u>	<u>\$ 40,529,155</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sheboygan, 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:

1. Financial Reporting Entity

The City of Sheboygan, Wisconsin is a municipal corporation governed by an elected mayor and sixteen-member council. Included in the City's operations (the primary government) is the City's water utility managed by the Board of Waterworks Commissioners appointed by the Common Council. As required by GAAP, the basic financial statements present the City (the primary government) and any component units. A legal separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a primary government if all of the following criteria are met:

- a. the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents;
- b. the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- c. the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

2. Individual Component Unit Disclosures

Discretely Presented Component Units

The component unit columns in the government-wide financial statements represent the financial data of the Housing Authority of the City of Sheboygan ("Housing Authority") and the Harbor Centre Business Improvement District ("the District"). They are reported in separate columns to emphasize that they are legally separate from the City. The governing bodies of both organizations are appointed by the City's Common Council. Wisconsin Statutes also provide for circumstances where the City can impose their will on both organizations and also create a potential burden on the City. The financial information presented is for the fiscal year ended March 31, 2016 for the Housing Authority and December 31, 2016 for the District. Complete financial statements for the Housing Authority can be obtained from their office at 611 North Water Street, P.O. Box 1052, Sheboygan, WI 53082-1052. Complete financial statements for the District can be obtained from their office at 828 Center Avenue, Sheboygan, WI 53081.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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, capital projects and permanent funds. Proprietary funds include enterprise and internal service 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 main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

DEBT SERVICE GENERAL OBLIGATION DEBT FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, except debt issued to finance project plan expenditures of the City's tax incremental financing districts.

The City reports the following major enterprise funds:

SEWERAGE SYSTEM

This fund is used to account for the operations of the City's sanitary sewer system.

WATER UTILITY

This fund is used to account for the operations of the City's water treatment and distribution system.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Non-major special revenue funds consist of the following:

Community Development Block Grant	Police Meg Unit
Revolving Loan Funds	Special Assessment
Lead Based Abatement Program	Redevelopment Authority
Mead Library	Municipal Court
Cable TV	Ambulance
Tourism Promotion	Storm Water
Harbor Center Marina	Park, Forestry & Open Space

Capital project funds are used to account for financial resources to be used for the acquisition of equipment or construction of major capital facilities. The Capital Projects Tax Levy, Capital Projects TIF Districts, and Capital Projects Bonded funds are reported as non-major capital project funds.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt. The TIF Districts debt service fund is reported as a non-major debt service fund.

Permanent funds are used to report resources that are legally restricted to the extent that only earning, and not principal, may be used for purposes that support the reporting government's programs. The City's cemetery perpetual care and library trust are reported as non-major permanent funds.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services, and must be used for activities which meet certain debt or cost recovery criteria. Non-major enterprise funds consist of the following:

Transit Commission	Parking Facility
Boat Facility	

Additionally, the government reports the following fund types:

Internal service funds account for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The City reports the following internal service funds:

Motor Vehicle	Workers Compensation Self Insurance
Data Processing	General Liability Self Insurance
Health Self Insurance	

The City accounts for assets held for individuals by various departments and funds held for other governmental agencies in an *agency fund*. The Property Tax Collection and Business Improvement District are accounted for as agency funds.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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 (other than agency funds) 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. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

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.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost 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 SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. 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 are considered to be cash equivalents.

b. Receivables

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes are assumed by Sheboygan County as of July 31; therefore, no allowance is considered necessary. Delinquent personal property taxes remain the collection responsibility of the City; accordingly, an allowance for uncollectible accounts has been established. The City is able to recover a portion of these delinquent personal property taxes from other taxing jurisdictions.

The City has received federal and state grants for economic development and housing rehabilitation loan programs to area businesses and homeowners. A loan receivable and deferred inflow is recorded when loan funds are disbursed. Loans made to eligible businesses and homeowners are recorded as expenditures while loan repayments are recognized as revenue in the City's fund financial statements. In the government-wide financial statements, loan repayments and disbursements are not recognized as revenue or expenditures but recorded as loans receivable.

c. 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/payables are considered "Advance to other funds" and "Advance from other funds" in the fund financial statements. Advances to other funds are offset by a nonspendable fund balance in the general fund since they do not constitute expendable available financial resources and therefore are not available for appropriation.

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

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

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

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. 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 and an estimated useful life in excess of one (1) 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	Governmental	Business-type
	Activities	Activities
	Years	
Buildings and improvements	25 - 45	25 - 45
Improvements other than buildings	20 - 40	20 - 40
Machinery and equipment	3 - 25	3 - 25
Infrastructure	20 - 50	20 - 100

g. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation time in varying amounts. All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The City also has an additional type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources, special assessments, loans receivable, and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. 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.

j. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Fund Equity

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 inventory, prepaid items, or long-term receivables) 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 Common Council either through the passage of an ordinance or resolution, as each is equally difficult to remove the constraint. These constraints can only be removed or changed by the Common Council using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. The Common Council has not authorized an employee 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 not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

6. 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 B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. During October, City management submits to the Common 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 Common Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, special revenue and debt service 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.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund, special revenue funds and debt service funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.

The City did not adopt an annual budget for the Community Development Block Grant, Revolving Loan Funds, Lead Based Abatement Program, Storm Water, and Park, Forestry and Open Space Funds.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Common Council. The City's finance committee or the City's director of finance can approve transfers within departments while transfers between departments and changes in the overall budget require approval by two-thirds of the Common Council.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2016.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the budgeted governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2016 as follows:

Fund	Function	Excess Expenditure
General Fund	Public works Streets department	\$ 15,614
Special Revenue Funds		
Tourism Promotion	Public safety	3,617
Tourism Promotion	Conservation and development	119,049
Harbor Center Marina	Public works	71,348
Harbor Center Marina	Interest and fiscal charges	15,133
Redevelopment Authority	Conservation and development	13,497
Ambulance	Capital outlay	664,000
Debt Service Funds		
Debt Service TIF Districts	Interest and fiscal charges	13,356
Permanent Funds		
Cemetery Perpetual Care	Health and human services	450

The above excess expenditures variances were funded using favorable revenue variances or available fund balance in the various funds.

3. Deficit Fund Equity

The following fund had deficit fund balance as of December 31, 2016:

Fund	Deficit Fund Balance
Nonmajor Special Revenue Fund Harbor Center Marina	\$ 3,319,606

The City anticipates funding the above deficit from future revenues of the fund or from resources available in the general fund.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS

1. 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 in 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.

In addition, investment of most trust funds including cemetery perpetual care funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. These sections give broad authority to use such funds to acquire various kinds of investments, including common stock.

The carrying amount of the City's cash and investments totaled \$97,440,561 on December 31, 2016 as summarized below:

Petty cash funds	\$	7,475
Deposits with financial institutions		7,464,305
Investments		
Certificates of deposit		7,489,886
Federal National MTG Assn		13,162,782
Federal Home Loan MTG Corp		13,538,095
Federal Home Loan Bank		2,953,640
Federal Farm Credit Bank		8,547,667
Money market mutual funds		627,049
Municipal bonds		1,120,212
Fixed income mutual funds		11,105,802
Repurchase agreements		671,115
U.S. Treasury Notes		1,001,008
Wisconsin local government investment pool		29,751,525
	<u>\$</u>	<u>97,440,561</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position		
Cash and investments	\$	71,857,983
Restricted cash and investments		959,942
Fiduciary Funds Statement of Net Position		
Agency funds		24,622,636
	<u>\$</u>	<u>97,440,561</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Fair Value Measurements

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. 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, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Certificates of Deposit	\$ -	\$ 7,489,886	\$ -
Federal National MTG Assn	-	13,162,782	-
Federal Home Loan MTG Corp	-	13,538,095	-
Federal Home Loan Bank	-	2,953,640	-
Federal Farm Credit Bank	-	8,547,667	-
Municipal bonds	-	1,120,212	-
Fixed income mutual funds	-	11,105,802	-
U.S. Treasury Notes	-	1,001,008	-
Total investments by fair value level	\$ -	\$ 58,919,092	\$ -

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

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. The City does not have an additional custodial credit risk policy.

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. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 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.

As of December 31, 2016, \$2,474,702 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

On December 31, 2016, the City held repurchase agreement investments of \$671,115 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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 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	A	Not Rated
Certificates of deposit	\$ 7,489,886	\$ -	\$ -	\$ -	\$ -	\$ 7,489,886
Federal National MTG Assn	13,162,782	-	13,062,735	-	-	100,047
Federal Home Loan MTG	13,538,095	-	13,538,095	-	-	-
Federal Home Loan Bank	2,953,640	-	2,953,640	-	-	-
Federal Farm Credit Bank	8,547,667	-	8,547,667	-	-	-
Money market mutual funds	627,049	-	-	-	-	627,049
Municipal bonds	1,120,212	-	256,546	863,666	-	-
Fixed income mutual funds	11,105,802	-	-	-	-	11,105,802
U.S. Treasury Notes	1,001,008	1,001,008	-	-	-	-
Wisconsin local government investment pool	29,751,525	-	-	-	-	29,751,525
Totals	\$89,297,666	\$1,001,008	\$38,358,683	\$863,666	\$ -	\$49,074,309

Concentration of Credit Risk

The investment policy of the City states that the funds of the City will be invested in accordance with Wisconsin State Statutes. The City's investment policy shall limit the investments to the following investment instruments and shall diversify the portfolio by instruments, financial institutions and maturities:

Instruments	Maximum % of Portfolio
U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instruments of Government Sponsored Operations	75%
Certificates of Deposit in Commercial Banks	50%
State Investment Pool	100%

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total
Federal National MTG Assn	Federal Agency Securities	\$ 13,162,782	15%
Federal Home Loan MTG Corp	Federal Agency Securities	13,538,095	15%
Federal Farm Credit Bank	Federal Agency Securities	8,547,667	10%

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (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 market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time 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
Certificates of deposit	\$ 7,489,886	\$ 850,010	\$ 3,197,215	\$ 3,442,661	\$ -
Federal National MTG Assn	13,162,782	100,047	1,989,880	11,072,855	-
Federal Home Loan MTG Corp	13,538,095	-	4,355,257	7,964,423	1,218,415
Federal Home Loan Bank	2,953,640	-	-	1,991,410	962,230
Federal Farm Credit Bank	8,547,667	99,751	-	8,447,916	-
Money market mutual funds	627,049	627,049	-	-	-
Municipal bonds	1,120,212	-	189,195	931,017	-
Fixed income mutual funds	11,105,802	11,003,946	-	101,856	-
Repurchase agreement	671,115	671,115	-	-	-
U.S. Treasury Notes	1,001,008	750,383	-	250,625	-
Wisconsin local government investment pool	29,751,525	29,751,525	-	-	-
Totals	\$ 89,968,781	\$ 43,853,826	\$ 9,731,547	\$ 34,202,763	\$ 2,180,645

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Federal National MTG Assn	\$ 13,162,782
Federal Home Loan MTG Corp	13,538,095
Federal Home Loan Bank	2,953,640
Federal Farm Credit Bank	8,547,667
	<u>\$ 38,202,184</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$29,751,525 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the City's share of the LGIP's assets were substantially equal to the carrying value.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. 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 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 Sheboygan County as part of the February tax settlement. The City and all other entities receive payment in full during the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Sheboygan Area School District, Kohler School District, Sheboygan County, Lakeshore Technical College and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the property tax agency fund.

3. Restricted Assets

The following represents the balances of the restricted assets:

Enterprise Fund	
Water Utility	
Interest and principal account	\$ 414,549
Redemption account	545,393
Total Restricted Assets	<u>\$ 959,942</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,391,989	\$ 40,000	\$ 440,000	\$ 15,991,989
Construction in progress	-	182,666	-	182,666
Total capital assets, not being depreciated	<u>16,391,989</u>	<u>222,666</u>	<u>440,000</u>	<u>16,174,655</u>
Capital assets, being depreciated:				
Buildings and improvements	32,814,756	-	-	32,814,756
Improvements other than buildings	13,805,709	5,427,000	-	19,232,709
Machinery and equipment	19,750,372	2,606,483	1,360,770	20,996,085
Infrastructure	119,943,077	1,560,959	478,186	121,025,850
Subtotals	<u>186,313,914</u>	<u>9,594,442</u>	<u>1,838,956</u>	<u>194,069,400</u>
Less accumulated depreciation for:				
Buildings and improvements	15,677,555	697,696	-	16,375,251
Improvements other than buildings	11,168,381	307,136	-	11,475,517
Machinery and equipment	14,158,995	1,350,730	1,360,770	14,148,955
Infrastructure	59,710,069	2,711,934	459,028	61,962,975
Subtotals	<u>100,715,000</u>	<u>5,067,496</u>	<u>1,819,798</u>	<u>103,962,698</u>
Total capital assets, being depreciated, net	<u>85,598,914</u>	<u>4,526,946</u>	<u>19,158</u>	<u>90,106,702</u>
Governmental activities capital assets, net	<u>\$ 101,990,903</u>	<u>\$ 4,749,612</u>	<u>\$ 459,158</u>	<u>106,281,357</u>
Less related long-term debt				<u>33,714,568</u>
Net investment in capital assets				<u>\$ 72,566,789</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 887,683	\$ -	\$ -	\$ 887,683
Construction in progress	12,033,804	3,936,887	6,479,097	9,491,594
Total capital assets, not being depreciated	<u>12,921,487</u>	<u>3,936,887</u>	<u>6,479,097</u>	<u>10,379,277</u>
Capital assets, being depreciated:				
Buildings and improvements	20,059,113	1,920,212	22,267	21,957,058
Improvements other than buildings	26,660,073	409,806	-	27,069,879
Machinery and equipment	31,561,562	1,729,940	113,633	33,177,869
Infrastructure	61,819,466	2,259,904	79,886	63,999,484
Subtotals	<u>140,100,214</u>	<u>6,319,862</u>	<u>215,786</u>	<u>146,204,290</u>
Less accumulated depreciation for:				
Buildings and improvements	14,051,276	544,434	22,267	14,573,443
Improvements other than buildings	20,318,265	349,029	-	20,667,294
Machinery and equipment	24,024,920	951,401	113,633	24,862,688
Infrastructure	25,080,096	1,157,963	79,886	26,158,173
Subtotals	<u>83,474,557</u>	<u>3,002,827</u>	<u>215,786</u>	<u>86,261,598</u>
Total capital assets, being depreciated, net	<u>56,625,657</u>	<u>3,317,035</u>	<u>-</u>	<u>59,942,692</u>
Business-type activities capital assets, net	<u>\$ 69,547,144</u>	<u>\$ 7,253,922</u>	<u>\$ 6,479,097</u>	<u>70,321,969</u>
Less related long-term debt				<u>20,662,037</u>
Net investment in capital assets				<u>\$ 49,659,932</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities		
General government		\$ 36,150
Public safety		602,944
Public works		2,720,466
Culture and recreation		410,229
Conservation and development		439,598
Internal service funds allocated to other activities		858,109
Total depreciation expense - governmental activities		<u>\$ 5,067,496</u>
Business-type activities		
Sewerage system		\$ 1,112,782
Water utility		
Depreciation expense		1,365,699
Depreciation expense allocated to clearing accounts		123,719
Transit commission		355,596
Parking facility		23,552
Boat facility		21,479
Total depreciation expense - business-type activities		<u>\$ 3,002,827</u>

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2016 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 374,374	\$ -
	Debt service fund - TIF districts	218,805	-
	Special revenue fund - Harbor Center Marina	215,522	215,522
	Enterprise fund - Water utility	1,151,800	-
Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	2,811,581	-
Subtotal - Fund Financial Statements		4,772,082	215,522
Less: Fund eliminations		(3,620,282)	(215,522)
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ 1,151,800</u>	<u>\$ -</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The principal purpose of these interfunds is to account for the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Debt service fund - TIF districts	\$ 805,132	\$ 805,132
Capital projects fund - Tax levy	Debt service fund - TIF districts	77,730	-
		<u>882,862</u>	<u>805,132</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	445,913	-
Subtotal - Fund Financial Statements		1,328,775	805,132
Less: Fund eliminations		(882,862)	(805,132)
Less: Enterprise portion of advance		(891,826)	-
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ (445,913)</u>	<u>\$ -</u>

The principal purpose of these interfund advances was financing debt service maturities of the City's tax incremental financing districts and capital acquisitions.

For the statement of net position, interfund advance balances which are owed within the governmental activities or business-type activities are netted and eliminated. A reconciliation to the statement of net position follows:

Due from other funds	\$ 1,151,800
Interfund advances	(445,913)
Internal service fund allocation to business-type activities	<u>(434,692)</u>
Total Internal Balances - Government-wide Statement of Net Position	<u>\$ 271,195</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2016 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 1,127,126
	Enterprise fund - Sewerage system	249,674
	Permanent fund - Cemetery perpetual care	3,154
	Special revenue fund - Cable TV	375,529
	Special revenue fund - Tourism promotion	54,664
	Special revenue fund - Municipal court	296,161
	Special revenue fund - Ambulance	475,705
	Capital projects - Tax levy	96,526
	Internal service fund - Motor vehicle fund	125,000
	Debt service fund - TIF districts	40,500
Special revenue fund - Meg unit	General fund	961
Special revenue fund - Harbor Center Marina	Enterprise fund - Boat Facility	91,675
Debt service fund - GO debt	Special revenue fund - Tourism promotion	821,019
	Special revenue fund - Special assessment	345,024
	Capital projects fund - Bonded	12,618
Debt service fund - TIF districts	Capital projects - Tax levy	8,303
Capital projects fund - TIF districts	Debt service fund - TIF districts	1,119,000
		<u>5,242,639</u>
Enterprise fund - Parking facility	General fund	2,031
	Capital projects fund - Tax levy	6,663
		<u>8,694</u>
Internal service fund - Motor Vehicle	Capital projects fund - Bonded	1,000,000
Subtotal - Fund Financial Statements		<u>\$ 6,251,333</u>
Government fund transfers in		\$ 5,242,639
Less: Fund eliminations		(3,782,858)
Total Transfers - Government-wide Statement of Activities		<u>\$ 1,459,781</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 23,046,507	\$ 2,720,000	\$ 9,786,485	\$ 15,980,022	\$ 2,230,637
Notes	9,800,255	10,925,000	2,085,724	18,639,531	2,814,952
Total General Obligation Debt	32,846,762	13,645,000	11,872,209	34,619,553	5,045,589
Bond premium	135,672	108,350	25,569	218,453	32,657
Bond discount	(66,582)	-	(6,843)	(59,739)	(6,843)
Mortgage notes	225,000	-	-	225,000	-
Capital lease	664,163	664,000	196,239	1,131,924	202,986
Sheboygan County	1,000,000	-	-	1,000,000	-
Compensated absences	2,983,720	69,515	9,286	3,043,949	1,092,799
Governmental activities Long-term obligations	<u>\$ 37,788,735</u>	<u>\$ 14,486,865</u>	<u>\$ 12,096,460</u>	<u>\$ 40,179,140</u>	<u>\$ 6,367,188</u>
Business-type activities:					
Revenue bonds	\$ 21,077,578	\$ 3,707,173	\$ 3,623,107	\$ 21,161,644	\$ 1,349,697
General obligation bonds	228,493	-	13,515	214,978	14,363
Unamortized bond premium	12,899	37,232	4,345	45,786	-
Business-type activities Long-term obligations	<u>\$ 21,318,970</u>	<u>\$ 3,744,405</u>	<u>\$ 3,640,967</u>	<u>\$ 21,422,408</u>	<u>\$ 1,364,060</u>

Total interest paid during the year on long-term debt totaled \$1,858,913.

For governmental activities, the other long-term liabilities are generally funded by the general fund.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt is backed by the full faith and credit of the City. The City finances general obligation debt of its governmental funds with general property taxes or tax increments. The City finances debt of proprietary funds with user fees of the respective fund and, if sufficient user fees are not available, from future general property taxes. General obligation debt currently outstanding on December 31, 2016 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/16
General Obligation Debt					
General Obligation Bonds					
General Obligation Bonds	09/01/07	4.50-5.00%	10/01/26	\$ 8,000,000	\$ 7,025,000
Taxable Refunding Bonds	06/23/10	3.00-5.25%	04/01/27	8,325,000	4,855,000
Refunding Bonds	08/04/15	1.00-1.25%	11/01/18	2,375,000	1,595,000
Refunding Bonds	08/25/16	1.00-2.00%	10/01/22	2,720,000	2,720,000
Total General Obligation Bonds					<u>16,195,000</u>
General Obligation Notes					
Land Recycling Loan	12/23/02	0%	05/01/22	\$ 2,700,000	480,775
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	278,756
Promissory Notes					
(Build America Bonds)	06/23/10	3.15-4.20%	04/01/20	2,045,000	885,000
Promissory Notes	05/10/12	2.00-2.125%	04/01/22	4,745,000	2,910,000
Promissory Notes	08/04/15	2.00-2.125%	10/01/24	4,310,000	3,160,000
Promissory Notes	04/12/16	1.00-2.00%	10/01/25	3,400,000	3,400,000
Promissory Notes	04/20/16	1.00-2.30%	10/01/25	7,525,000	7,525,000
Total General Obligation Notes					<u>18,639,531</u>
Total					<u>\$ 34,834,531</u>

Build America Bond

The general obligation debt issued on June 23, 2010 qualifies as Build America Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The City is eligible to receive a 35% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the City to file a claim form annually.

Annual principal and interest maturities of the outstanding general obligation debt of \$34,834,531 on December 31, 2016 are detailed below:

Year Ended December 31	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,045,589	\$ 668,829	\$ 14,363	\$ 7,524	\$ 5,059,952	\$ 676,353
2018	5,029,726	601,660	15,225	7,623	5,044,951	609,283
2019	4,098,813	528,128	16,138	7,601	4,114,951	535,729
2020	4,047,873	459,647	17,079	7,193	4,064,952	466,840
2021	3,891,820	387,359	18,131	6,696	3,909,951	394,055
2022 - 2026	12,041,451	969,065	108,323	24,939	12,149,774	994,004
2027	464,281	11,512	25,719	1,351	490,000	12,863
	<u>\$ 34,619,553</u>	<u>\$ 3,626,200</u>	<u>\$ 214,978</u>	<u>\$ 62,927</u>	<u>\$ 34,834,531</u>	<u>\$ 3,689,127</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2016 was \$97,401,815 as follows:

Equalized valuation of the City		\$ 2,446,193,900
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>122,309,695</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 34,834,531	
Less: Amounts available for financing general obligation debt		
Debt service funds	<u>9,926,651</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>24,907,880</u>
Legal Margin for New Debt		<u><u>\$ 97,401,815</u></u>

Mortgage Notes

Mortgage notes currently outstanding consist of a note with the Sheboygan Development Corporation. A repayment schedule does not exist as of December 31, 2016.

Capital Leases

The City has entered into multiple capital lease agreements to finance the acquisition of machinery and equipment. Annual principal and interest maturities are as follows:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2017	\$ 202,986	\$ 20,593	\$ 223,579
2018	209,960	16,263	226,223
2019	217,189	11,758	228,947
2020	224,696	7,070	231,766
2021	173,709	2,192	175,901
2022	103,384	2,192	105,576
	<u>\$ 1,131,924</u>	<u>\$ 60,068</u>	<u>\$ 1,191,992</u>

Amount due to Sheboygan County, Wisconsin

Sheboygan County, Wisconsin, provided funding to assist in the development and construction of the infrastructure of the Marina Boatworks facility. To the extent the City does not recover its initial taxpayer funding contribution through tax incremental revenues, the City will share any surplus cash with Sheboygan County in proportion to the initial taxpayer funding contributions excluding tax incremental revenue effects until the \$1,000,000 has been returned.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue Bonds

Revenue bond debt service requirements are financed by income derived from the acquired or constructed assets of the enterprise funds. Enterprise fund revenue bonds currently outstanding on December 31, 2016 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/16
Sewerage System					
Clean Water Fund Loan	05/26/10	2.400%	05/01/30	\$ 2,747,622	\$ 2,139,963
Clean Water Fund Loan	10/23/13	2.625%	05/01/33	8,184,196	7,705,077
Total Sewerage System					<u>9,845,040</u>
Water Utility					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	1,354,709
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	2,725,000
Revenue Bonds	04/03/13	2.00-3.50%	05/01/33	3,000,000	2,675,000
Revenue Bonds (1)	05/13/15	1.65%	05/01/35	2,527,752	2,446,895
Revenue Bonds	04/20/16	1.00-2.00%	04/20/25	2,115,000	2,115,000
Total Water Utility					<u>11,316,604</u>
Total Revenue Bonds					<u>\$ 21,161,644</u>

(1) - During 2015 the utility was authorized to issue \$3,122,030 of water system Safe Drinking Water Loan revenue bonds. The original amount reported above has been issued as of December 31, 2016. The repayment schedule is for the amount issued.

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$21,161,644 on December 31, 2016 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2017	\$ 1,349,697	\$ 541,011	\$ 1,890,708
2018	1,374,144	509,681	1,883,825
2019	1,414,085	475,139	1,889,224
2020	1,434,529	438,538	1,873,067
2021	1,465,491	400,693	1,866,184
2022-2026	7,031,817	1,409,276	8,441,093
2027-2031	5,029,514	565,912	5,595,426
2032-2035	2,062,367	61,904	2,124,271
	<u>\$ 21,161,644</u>	<u>\$ 4,402,154</u>	<u>\$ 25,563,798</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Utility Revenues Pledged

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the water and sewerage system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the systems. The bonds are payable solely from water and sewer customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$25,563,798. Principal and interest paid for the current year and net customer revenues for the water utility were \$1,139,561 and \$4,673,970, respectively. Principal and interest paid for the current year and net customer revenues for the sewerage system were \$934,399 and \$1,410,595, respectively.

Other Debt Information

There are a number of limitations and restrictions contained in the various bond and note obligations. The City believes it is substantially in compliance with all material limitations and restrictions.

Current Refundings

During 2016, the City currently refunded a general obligation bond issue from 2006. The City issued general obligation notes to call the refunded debt. \$4,240,000 of the \$7,525,000 general obligation notes issued April 20, 2016 were used in this refinancing transaction. This current refunding was undertaken to reduce total debt service payments over the next six years by \$600,534 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$559,855.

During 2016, the City currently refunded a general obligation bond issues from 2006 and 2010. The City issued \$2,720,000 of general obligation refunding bonds to call the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next five years by \$252,776 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$245,150.

During 2016, the Water Utility currently refunded a revenue bond issue from 2005. The Utility issued \$2,115,000 of revenue refunding bonds to call the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next nine years by \$280,763 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$230,318.

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, there were 6 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$14,332,151.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Fund Equity

In the fund financial statements, portions of the governmental fund balances are assigned. At December 31, 2016, fund balance was assigned as follows:

General Fund	
Assigned for subsequent year expenditures	\$ 65,413
Special Revenue Funds	
Library activities and programs	1,058,343
Cable TV program	880,570
Tourism and promotion activities	731,200
Public safety - MEG unit	19,345
Special assessments	1,239,030
Economic development	310,012
Municipal court operations	604
Ambulance services	254,580
Storm water	99,101
Capital Projects Funds	
Capital improvements	3,591,203
Total	\$ 8,249,401

In addition, the City has adopted a policy that unassigned general fund balance be maintained at a minimum of 25% of the subsequent year's general fund budgeted expenditures, not including debt service. The minimum fund balance amount is calculated as follows:

Budget 2017 general fund expenditures, not including debt service	\$ 36,045,273
Minimum fund balance %	25%
Minimum fund balance amount	\$ 9,011,318

The City's unassigned general fund balance of \$20,678,879 is currently above the minimum fund balance amount.

8. Pension Plan

a. 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, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%

c. 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, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$2,385,841 in contributions from the City.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$3,952,640 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the City's proportion was 0.24324242%, which was an increase of 0.00198251% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$4,784,373.

At December 31, 2016, 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	\$ 668,675	\$ 8,318,268
Net differences between projected and actual earnings on pension plan investments	16,183,248	-
Changes in assumptions	2,765,440	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,261	38,190
Employer contributions subsequent to the measurement date	2,282,929	-
Total	<u>\$ 21,995,553</u>	<u>\$ 8,356,458</u>

\$2,282,929 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 5,121,566	\$ 2,022,278
2017	5,121,566	2,022,278
2018	5,121,566	2,022,278
2019	4,259,453	2,022,278
2020	88,473	267,346
	<u>\$ 19,712,624</u>	<u>\$ 8,356,458</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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 arithmetic real rates of return for each major asset class are summarized in the following table:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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 7.20 percent, 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
City's proportionate share of the net pension liability (asset)	\$ 27,723,907	\$ 3,952,640	\$ (14,613,140)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At December 31, 2016, the City reported a payable of \$542,693 for outstanding contributions to the pension plan for the year ended December 31, 2016.

NOTE D - OTHER INFORMATION

1. Other Post-employment Benefits

Plan Description - The City provides health care related benefits for employees who retire prior to the age of 65. Benefit terms including eligibility and vesting requirements vary by employee classification. There were 423 active and 54 retired employees in the plan as of the most recent actuary valuation date.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION (Continued)

Component	Amount
Annual required contribution	\$ 457,761
Interest on net OPEB	43,521
Adjustment to annual required contribution	<u>(74,015)</u>
Annual OPEB cost (expense)	427,267
Contributions made	<u>(372,110)</u>
Change in net OPEB obligation	55,157
OPEB obligation - beginning of year	<u>1,450,704</u>
OPEB obligation - end of year	<u><u>\$ 1,505,861</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.0% discount rate, (b) projected salary increases at 3.0%, and (c) 2.5% inflation rate.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as an open level dollar amount of projected payroll. The remaining amortization period at January 1, 2016, the date of the most recent actuarial valuation, is 30 years and the remaining amount is \$4,955,334.

Trend Information - The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 through 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 427,267	87%	\$ 1,505,861
12/31/2015	565,061	59%	1,450,704
12/31/2014	476,500	14%	1,216,643

Funded Status and Funding Progress - As of December 31, 2016, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$4,955,334. The annual payroll for active employees covered by the plan for the 2016 fiscal year was \$26,123,451 for a ratio of the UAAL to covered payroll of 19.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION (Continued)

In the January 1, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a rate of 3.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 7.5%, reduced by decrements to an ultimate rate of 5.0% after eighteen years. The UAAL is being amortized as a level dollar amount on an open basis.

2. Tax Incremental Financing Districts

The City currently maintains one separate capital projects fund and one debt service fund to account for Tax Incremental Financing Districts (TID) which were created in prior years in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was “frozen” and increment taxes resulting from increases to the property tax base were used to finance District improvements, including principal and interest on general obligation debt issued by the District to finance such improvements.

Since creation of the above Districts, the City has provided various financing sources to the TIDs and has also recorded eligible TID project costs in other funds of the City. The foregoing amounts are not recorded as liabilities in the TIDs but can be recovered by the Districts from any future excess tax increment revenues. Detail of the amounts recoverable by the Districts as of December 31, 2016 from future excess tax increment revenues are as follows:

	Net Project Revenues in Excess of Project Costs (Unreimbursed Project Costs)	Statutory termination date
TID No. 5	\$ (17,161)	05/06/2018
TID No. 6	(7,176,094)	01/20/2023
TID No. 10	(882,474)	05/19/2024
TID No. 11	1,833,674	09/21/2021
TID No. 12	330,337	02/21/2027
TID No. 13	248,261	11/21/2032
TID No. 14	365,367	01/04/2031
TID No. 15	124,382	04/06/2031
TID No. 16	(1,881,859)	09/21/2035
TID No. E1	(549,781)	08/05/2025

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts. Unless terminated by the City prior thereto, TIDs have a statutory termination date, which are listed above.

Tax Abatements

The City has created tax incremental financing districts (the “Districts”) in accordance with Wisconsin State Statute 66.1105, *Tax Increment Law* and has adopted GASB Statement No. 77, *Tax Abatement Disclosures* for the year ended December 31, 2016. As part of the project plan for the Districts, the City entered into agreements with developers for the creation of tax base within the Districts. The agreements require the City to make annual repayments of property taxes collected within the Districts to the developers, based upon the terms of the agreements. As tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION (Continued)

For the year ended December 31, 2016, the City abated property taxes totaling \$741,972 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- A property tax abatement of \$268,640 to a developer for a senior housing project within District No. 13.
- A property tax abatement of \$323,562 to a developer for retail development within District No. 14.
- A property tax abatement of \$149,770 to a developer for retail development within the District No. 15.

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City participates in a public entity risk pool called Cities and Villages Mutual Insurance Company to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission. However, other risks, such as workers compensation and health care of its employees are accounted for and financed by the City in health self-insurance internal service fund and the workers compensation self-insurance internal service fund.

a. Self-Insurance

For health insurance claims, the uninsured risk of loss is \$150,000 per person. In addition, there is a minimum aggregate deductible for the current policy year which is the greater of \$6,874,632 or 90% of the monthly aggregate deductible for the first month of the policy year, multiplied by twelve months. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have exceeded the commercial coverage for the individual stop-loss, but not the aggregate deductible during any of the past three years.

For workers compensation claims, the uninsured risk of loss is \$500,000 per incident. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in the risk management program. Amounts payable to the internal service funds are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$9,796,087 was available for that reserve at year end, and is included in unrestricted net position of the internal service funds.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for health insurance, workers compensation, and general liability claims that have been incurred but not reported.

Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
Health Insurance				
2016	\$ 1,332,954	\$ 5,271,879	\$ 5,937,090	\$ 667,743
2015	1,327,199	7,308,757	7,303,002	1,332,954
Workers Compensation				
2016	\$ 65,274	\$ 362,222	\$ 371,503	\$ 55,993
2015	55,431	505,489	495,646	65,274
General Liability				
2016	\$ 185,703	\$ 168,966	\$ 168,966	\$ 185,703
2015	185,703	143,942	143,942	185,703

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION (Continued)

b. Risk Management

Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance company (CVMIC)

CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC that was established under Section 66.30 of the Wisconsin Statutes governing intergovernmental cooperation commissions.

CVMIC insures the municipalities up to \$5,000,000 per occurrence above the self-insured retention amount selected by each individual city or village. CVMIC also provides excess insurance of \$5,000,000 over the CVMIC layer thru a group purchase program paid proportionately by members for a total limit of \$10,000,000 per occurrence. Members pay premiums based on their self-insured retention amount, claims experience and population.

Management of CVMIC and WMIC consists of a board of directors and officers elected by the membership from each class of participants based on population. The board of directors hires the company executive director who in turn hires the management staff of CVMIC. The City does not exercise any control over the activities of CVMIC and WMIC beyond the election of the officer and board.

Financial statements of CVMIC can be obtained directly from CVMIC's offices. The City's Mutual Member Participation Calculation for 2016 is calculated at 2.986%. This calculation is based on premiums, claims and self-insured retention of the city as compared to the entire membership. The City's participation portion of available funds would be distributed upon dissolution. WMIC is not required to have an audit.

The City pays an annual premium to CVMIC for its general liability insurance as noted. The City's self-insured retention amount annually is \$125,000 per occurrence and \$500,000 in the aggregate. An actuarially determined estimate for outstanding losses and incurred but not reported losses related to the City is \$224,879 as of December 31, 2016.

4. 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 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2016 budget was 0.69%. The actual limit for the City for the 2017 budget was 1.94%. 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.

5. Contingencies

a. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) but final acceptance is still pending. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION (Continued)

b. 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 legal counsel that the likelihood is remote that any such claims or proceedings will have a material effect on the city's financial statements.

6. Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for post-employment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The City will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The City is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE E - COMPONENT UNITS

This report contains the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District, which are included as component units. Financial information for both is presented as a separate column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

Information related to the Housing Authority of the City of Sheboygan ("Housing Authority") is as follows:

1. Significant Accounting Policies

- a. The Housing Authority follows the accrual basis of accounting.
- b. Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value.
- c. Capital assets are stated at cost at the date of acquisition. The provision for depreciation was computed under the straight-line method over the useful lives of the assets.

2. Deposits and Investments

The carrying amount of the Housing Authority's cash and investments totaled \$4,159,360 on March 31, 2016 as summarized below:

Deposits with financial institutions	\$ 252,386
Investments	
Federal Home Loan Mortgage Corporation	650,377
Federal Home Loan Bank	103,157
Municipal bonds	294,634
Money market funds	854,107
Certificates of deposit	760,405
Fixed income mutual funds	1,244,294
	\$ 4,159,360

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE E - COMPONENT UNITS (Continued)

Reconciliation to the basic financial statements:

Government - Wide Statement of Net Position	
Cash and investments	\$ 4,049,927
Cash and cash equivalents - restricted	109,433
	\$ 4,159,360

Fair Value Measurements

The Housing Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The Housing Authority 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. (1)

The Housing Authority has the following fair value measurements as of December 31, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Federal Home Loan Mortgage Corporation	\$ -	\$ 650,377	\$ -
Federal Home Loan Bank	-	103,157	-
Municipal bonds	-	294,634	-
Certificates of deposit	-	760,405	-
Fixed income mutual funds	-	1,244,294	-
Total investments by fair value level	\$ -	\$ 3,052,867	\$ -

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. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 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.

At March 31, 2016, none of the Housing Authority's deposits with financial institutions were in excess of federal and state depository insurance limits.

INVESTMENTS

Custodial Credit Risk

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. The Authority does not have an investment policy that would limit the exposure to custodial credit risk for investments.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

NOTE E - COMPONENT UNITS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations 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 nationally recognized statistical rating organization. The Authority does not have an additional credit risk policy. Presented below is the actual rating as of December 31, 2016, for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Federal Home Loan Mortgage Corporation	\$ 650,377	\$ -	\$ -	\$ 650,377	\$ -
Federal Home Loan Bank	103,157	-	-	103,157	-
Municipal bonds	294,634	-	-	183,383	111,251
Certificates of deposit	760,405	-	-	-	760,405
Fixed income mutual funds	1,244,294	-	-	-	1,244,294
Totals	\$ 3,052,867	\$ -	\$ -	\$ 936,917	\$ 2,115,950

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total
Federal Home Loan Mortgage	Federal Agency Securities	\$ 650,377	17%

Interest Rate Risk

Interest rate risk is the risk that changes in 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 market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority'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
Federal Home Loan Mortgage Corporation	\$ 650,377	\$ -	\$ -	\$ 650,377	\$ -
Federal Home Loan Bank	103,157	-	-	-	103,157
Municipal bonds	294,634	66,108	-	111,251	117,275
Certificates of deposit	760,405	100,287	150,333	509,785	-
Fixed income mutual funds	1,244,294	1,244,294	-	-	-
Totals	\$ 3,052,867	\$ 1,410,689	\$ 150,333	\$ 1,271,413	\$ 220,432

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE E - COMPONENT UNITS (Continued)

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 346,943	\$ -	\$ -	\$ 346,943
Construction in progress	92,950	227,495	196,377	124,068
Total capital assets not being depreciated	439,893	227,495	196,377	471,011
Capital assets being depreciated				
Buildings and improvements	8,501,866	268,603	-	8,770,469
Machinery and equipment	832,708	35,589	6,434	861,863
Total capital assets being depreciated	9,334,574	304,192	6,434	9,632,332
Less: Accumulated depreciation	7,296,106	271,846	5,636	7,562,316
Net capital assets being depreciated	2,038,468	32,346	798	2,070,016
Total capital assets, net of accumulated depreciation	\$ 2,478,361	\$ 259,841	\$ 197,175	\$ 2,541,027

Accumulated depreciation is not available by class or function.

Information related to the Business Improvement District is as follows:

1. Significant Accounting Policies

- a. The Business Improvement District follows the accrual basis of accounting.
- b. Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value.

2. Deposits and Investments

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the statutory amount for demand deposits and time deposits. At year end, the carrying amount of the District's cash totaled \$25,151, and consisted of bank deposits. The entire bank balance was covered by federal and state depository insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Funding Progress
 Other Post-Employment Benefit Plan
 For the Year Ended December 31, 2016

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2016	\$ -	\$ 4,955,334	0.0%	\$ 4,955,334	\$ 26,123,451	19.0%
2014	-	4,879,620	0.0%	4,879,620	26,387,532	18.5%
2012	-	4,231,036	0.0%	4,231,036	25,031,966	16.9%
2010	-	6,126,869	0.0%	6,126,869	25,536,076	24.0%
2008	-	5,291,565	0.0%	5,291,565	27,270,092	19.4%

See Notes to Required Supplementary Information.

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Employer Contributions
 Other Post-Employment Benefit Plan
 For the Year Ended December 31, 2016

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2016	\$ 372,110	\$ 457,761	81.29%
2015	331,000	593,753	55.75%
2014	67,853	503,634	13.47%
2013	502,179	410,228	122.41%
2012	632,472	350,789	180.30%
2011	438,536	653,520	67.10%
2010	491,903	583,533	84.30%
2009	317,005	651,682	48.64%

See Notes to Required Supplementary Information.

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	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	0.24125991%	\$ (5,926,003)	\$ 26,387,532	22.46%	102.74%
12/31/16	0.24324242%	3,952,640	27,577,423	14.33%	98.20%

Schedule of Contributions
Wisconsin Retirement System
Last 10 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
12/31/15	\$ 2,373,726	\$ 2,373,726	\$ -	\$ 27,577,423	8.61%
12/31/16	2,385,841	2,385,841	-	26,123,451	9.13%

See Notes to Required Supplementary Information.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Required Supplementary Information
For the Year Ended December 31, 2016

NOTE A - WISCONSIN RETIREMENT SYSTEM

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

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

NOTE B - SCHEDULE OF FUNDING PROGRESS

The reduction in the Actuarial Accrued Liability and the Unfunded Actuarial Accrued Liability between the 2012 and 2010 actuarial valuations is due to the combination of benefit changes and the decrease in the number of employees.

SUPPLEMENTARY INFORMATION

CITY OF SHEBOYGAN, WISCONSIN

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
ASSETS						
Cash and investments	\$ 838,534	\$ 497,733	\$ 2,224	\$ 1,193,481	\$ 736,194	\$ 619,164
Receivables						
Taxes	-	-	-	2,305,741	-	-
Accounts	-	-	-	-	148,771	208,841
Special assessments	-	-	-	-	-	-
Loans	3,445,143	3,260,409	724,326	-	-	-
Other	-	1,230	-	-	1,722	1,272
Advance to other funds	-	-	-	-	-	-
Due from other governments	395,313	-	-	2,600	-	-
Inventories and prepaid items	75,000	-	-	-	-	-
TOTAL ASSETS	\$ 4,753,990	\$ 3,759,372	\$ 726,550	\$ 3,501,822	\$ 886,687	\$ 829,277
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 106,118	\$ -	\$ -	\$ 78,565	\$ 3,043	\$ 98,077
Accrued and other current liabilities	4,609	-	-	59,173	3,074	-
Due to other funds	374,374	-	-	-	-	-
Due to other governments	-	-	724,326	-	-	-
Unearned revenues	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	485,101	-	724,326	137,738	6,117	98,077
Deferred Inflows of Resources						
Property taxes levied for subsequent year	-	-	-	2,305,741	-	-
Special assessments	-	-	-	-	-	-
Loans receivable	3,445,143	3,260,409	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Total Deferred Inflows of Resources	3,445,143	3,260,409	-	2,305,741	-	-
Fund Balances (Deficits)						
Nonspendable						
Inventories and prepaid items	75,000	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Library trust	-	-	-	-	-	-
Restricted						
Tax incremental financing district	-	-	-	-	-	-
Capital improvements	-	-	-	-	-	-
Community development	748,746	498,963	2,224	-	-	-
Library trust	-	-	-	-	-	-
Assigned	-	-	-	1,058,343	880,570	731,200
Unassigned (Deficit)	-	-	-	-	-	-
Total Fund Balances (Deficits)	823,746	498,963	2,224	1,058,343	880,570	731,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,753,990	\$ 3,759,372	\$ 726,550	\$ 3,501,822	\$ 886,687	\$ 829,277

Special Revenue Funds (Continued)								
Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	Municipal Court	Ambulance	Storm Water	Park, Forestry & Open Space	Total
\$ 252,229	\$ 17,172	\$ 1,193,354	\$ 345,074	\$ 15,679	\$ 141,721	\$ 98,923	\$ -	\$ 5,951,482
-	-	-	-	-	-	-	110,000	2,415,741
22,046	-	42,196	-	5,512	357,956	-	-	785,322
-	-	632,889	-	-	-	-	-	632,889
-	-	-	1,140,004	-	-	-	-	8,569,882
-	-	2,516	426	201	181	178	-	7,726
-	-	-	-	-	-	-	-	-
-	6,327	-	-	-	-	-	-	404,240
18,162	-	-	-	-	-	-	-	93,162
<u>\$ 292,437</u>	<u>\$ 23,499</u>	<u>\$ 1,870,955</u>	<u>\$ 1,485,504</u>	<u>\$ 21,392</u>	<u>\$ 499,858</u>	<u>\$ 99,101</u>	<u>\$ 110,000</u>	<u>\$ 18,860,444</u>
\$ 62,777	\$ 3,951	\$ -	\$ 35,488	\$ 17,359	\$ 19,106	\$ -	\$ -	\$ 424,484
76,250	203	-	-	3,429	10,828	-	-	157,566
3,027,103	-	-	-	-	-	-	-	3,401,477
-	-	-	-	-	-	-	-	724,326
-	-	-	-	-	-	-	-	-
445,913	-	-	-	-	-	-	-	445,913
<u>3,612,043</u>	<u>4,154</u>	<u>-</u>	<u>35,488</u>	<u>20,788</u>	<u>29,934</u>	<u>-</u>	<u>-</u>	<u>5,153,766</u>
-	-	-	-	-	-	-	110,000	2,415,741
-	-	631,925	-	-	-	-	-	631,925
-	-	-	1,140,004	-	-	-	-	7,845,556
-	-	-	-	-	215,344	-	-	215,344
-	-	631,925	1,140,004	-	215,344	-	110,000	11,108,566
18,162	-	-	-	-	-	-	-	93,162
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,249,933
-	-	-	-	-	-	-	-	-
-	19,345	1,239,030	310,012	604	254,580	99,101	-	4,592,785
(3,337,768)	-	-	-	-	-	-	-	(3,337,768)
<u>(3,319,606)</u>	<u>19,345</u>	<u>1,239,030</u>	<u>310,012</u>	<u>604</u>	<u>254,580</u>	<u>99,101</u>	<u>-</u>	<u>2,598,112</u>
<u>\$ 292,437</u>	<u>\$ 23,499</u>	<u>\$ 1,870,955</u>	<u>\$ 1,485,504</u>	<u>\$ 21,392</u>	<u>\$ 499,858</u>	<u>\$ 99,101</u>	<u>\$ 110,000</u>	<u>\$ 18,860,444</u>

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2016

	Capital Project Funds				Debt Service
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	Total	TIF Districts
ASSETS					
Cash and investments	\$ 3,300,953	\$ 2,037,744	\$ 1,382,879	\$ 6,721,576	\$ 3,556,625
Receivables					
Taxes	929,507	-	-	929,507	3,199,527
Accounts	41,687	-	-	41,687	-
Special assessments	-	-	-	-	-
Loans	128,750	-	-	128,750	-
Other	4,101	-	-	4,101	19,593
Advance to other funds	77,730	-	-	77,730	-
Due from other governments	373,311	-	1,727	375,038	-
Inventories and prepaid items	-	-	-	-	-
TOTAL ASSETS	\$ 4,856,039	\$ 2,037,744	\$ 1,384,606	\$ 8,278,389	\$ 6,775,745
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 67,915	\$ 33,107	\$ 230,878	\$ 331,900	\$ -
Accrued and other current liabilities					
liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	218,805
Due to other governments	-	-	-	-	-
Unearned revenues	138,664	-	-	138,664	-
Advance from other funds	-	-	-	-	882,862
Total Liabilities	206,579	33,107	230,878	470,564	1,101,667
Deferred Inflows of Resources					
Property taxes levied for subsequent year	929,507	-	-	929,507	3,199,527
Special assessments	-	-	-	-	-
Loans receivable	128,750	-	-	128,750	-
Accounts receivable	-	-	-	-	-
Total Deferred Inflows of Resources	1,058,257	-	-	1,058,257	3,199,527
Fund Balances (Deficits)					
Nonspendable					
Inventories and prepaid items	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Library trust	-	-	-	-	-
Restricted					
Tax incremental financing district	-	-	-	-	2,474,551
Capital improvements	-	2,004,637	1,153,728	3,158,365	-
Community development	-	-	-	-	-
Library trust	-	-	-	-	-
Assigned	3,591,203	-	-	3,591,203	-
Unassigned (Deficit)	-	-	-	-	-
Total Fund Balances (Deficits)	3,591,203	2,004,637	1,153,728	6,749,568	2,474,551
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,856,039	\$ 2,037,744	\$ 1,384,606	\$ 8,278,389	\$ 6,775,745

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ 866,655	\$ 1,306,132	\$ 2,172,787	\$ 18,402,470
-	-	-	6,544,775
2,660	-	2,660	829,669
-	-	-	632,889
-	-	-	8,698,632
185	-	185	31,605
-	-	-	77,730
-	-	-	779,278
-	-	-	93,162
<u>\$ 869,500</u>	<u>\$ 1,306,132</u>	<u>\$ 2,175,632</u>	<u>\$ 36,090,210</u>

\$ -	\$ -	\$ -	\$ 756,384
-	-	-	157,566
-	-	-	3,620,282
-	-	-	724,326
-	-	-	138,664
-	-	-	1,328,775
-	-	-	6,725,997

-	-	-	6,544,775
-	-	-	631,925
-	-	-	7,974,306
-	-	-	215,344
-	-	-	15,366,350

-	-	-	93,162
869,500	-	869,500	869,500
-	600,000	600,000	600,000
-	-	-	2,474,551
-	-	-	3,158,365
-	-	-	1,249,933
-	706,132	706,132	706,132
-	-	-	8,183,988
-	-	-	(3,337,768)
<u>869,500</u>	<u>1,306,132</u>	<u>2,175,632</u>	<u>13,997,863</u>

<u>\$ 869,500</u>	<u>\$ 1,306,132</u>	<u>\$ 2,175,632</u>	<u>\$ 36,090,210</u>
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CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 2,305,741	\$ -	\$ 1,523,458
Special assessments	-	-	-	-	-	-
Intergovernmental	491,693	-	-	650,769	-	-
Licenses and permits	-	-	-	-	598,520	-
Fines and forfeits	-	-	-	-	-	-
Public charges for services	-	-	-	59,880	1,225	-
Miscellaneous	261,267	426,516	1,514	68,626	6,736	3,824
Total Revenues	752,960	426,516	1,514	3,085,016	606,481	1,527,282
Expenditures						
Current						
General government	-	-	-	-	-	2,971
Public safety	-	-	-	-	-	28,739
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	-	-	-	2,869,790	164,440	19,547
Conservation and development	410,972	1,690,000	-	-	-	501,688
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	194,531	-	-	25,490	80,303	48,364
Total Expenditures	605,503	1,690,000	-	2,895,280	244,743	601,309
Excess of Revenues Over (Under)						
Expenditures	147,457	(1,263,484)	1,514	189,736	361,738	925,973
Other Financing Sources (Uses)						
Long-term debt issued	-	-	-	-	-	-
Premium on long-term debt issued	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Sale of capital assets	91,699	-	-	-	-	-
Payment to current noteholder	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(375,529)	(875,683)
Total Other Financing Sources (Uses)	91,699	-	-	-	(375,529)	(875,683)
Net Change in Fund Balances	239,156	(1,263,484)	1,514	189,736	(13,791)	50,290
Fund Balances (Deficits) - January 1	584,590	1,762,447	710	868,607	894,361	680,910
Fund Balances (Deficits) - December 31	\$ 823,746	\$ 498,963	\$ 2,224	\$ 1,058,343	\$ 880,570	\$ 731,200

Special Revenue Funds (Continued)								
Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	Municipal Court	Ambulance	Storm Water	Park, Forestry & Open Space	Total
\$ 139	\$ -	\$ -	\$ 22,429	\$ -	\$ -	\$ -	\$ -	\$ 3,851,767
-	-	208,188	-	-	-	-	-	208,188
21,564	26,691	-	-	-	9,461	-	-	1,200,178
-	-	-	-	-	-	-	-	598,520
-	-	-	-	732,004	-	-	-	732,004
826,173	-	-	-	5,533	1,003,708	4,452	-	1,900,971
54,415	24	16,138	201,382	604	544	544	-	1,042,134
902,291	26,715	224,326	223,811	738,141	1,013,713	4,996	-	9,533,762
-	-	-	-	457,675	-	-	-	460,646
-	28,492	-	-	-	507,587	-	-	564,818
1,043,327	-	-	-	-	-	-	-	1,043,327
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,053,777
-	-	-	28,497	-	-	-	-	2,631,157
-	-	-	-	-	86,735	-	-	86,735
15,133	-	-	-	-	19,721	-	-	34,854
-	-	-	-	-	664,000	-	-	1,012,688
1,058,460	28,492	-	28,497	457,675	1,278,043	-	-	8,888,002
(156,169)	(1,777)	224,326	195,314	280,466	(264,330)	4,996	-	645,760
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	664,000	-	-	664,000
-	-	-	-	-	13,411	-	-	105,110
-	-	-	-	-	-	-	-	-
91,675	961	-	-	-	-	-	-	92,636
-	-	(345,024)	-	(296,161)	(475,705)	-	-	(2,368,102)
91,675	961	(345,024)	-	(296,161)	201,706	-	-	(1,506,356)
(64,494)	(816)	(120,698)	195,314	(15,695)	(62,624)	4,996	-	(860,596)
(3,255,112)	20,161	1,359,728	114,698	16,299	317,204	94,105	-	3,458,708
\$ (3,319,606)	\$ 19,345	\$ 1,239,030	\$ 310,012	\$ 604	\$ 254,580	\$ 99,101	\$ -	\$ 2,598,112

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2016

	Capital Project Funds				Debt Service
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	Total	TIF Districts
Revenues					
Taxes	\$ 1,742,826	\$ -	\$ -	\$ 1,742,826	\$ 2,587,423
Special assessments	-	-	-	-	-
Intergovernmental	400,461	-	-	400,461	25,017
Licenses and permits	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Public charges for services	-	-	-	-	-
Miscellaneous	49,349	8,506	-	57,855	58,902
Total Revenues	2,192,636	8,506	-	2,201,142	2,671,342
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	-	1,485,695	4,413	1,490,108	180,643
Debt service					
Principal	-	-	-	-	1,634,951
Interest and fiscal charges	-	42,640	-	42,640	572,730
Capital outlay	988,773	1,440,334	2,821,528	5,250,635	-
Total Expenditures	988,773	2,968,669	2,825,941	6,783,383	2,388,324
Excess of Revenues Over (Under)					
Expenditures	1,203,863	(2,960,163)	(2,825,941)	(4,582,241)	283,018
Other Financing Sources (Uses)					
Long-term debt issued	-	3,685,000	3,000,000	6,685,000	6,960,000
Premium on long-term debt issued	-	-	-	-	49,079
Capital leases	-	-	-	-	-
Sale of capital assets	933,952	-	-	933,952	-
Payment to current noteholder	-	-	-	-	(6,940,000)
Transfers in	-	1,119,000	-	1,119,000	8,303
Transfers out	(111,492)	-	(1,012,618)	(1,124,110)	(1,159,500)
Total Other Financing Sources (Uses)	822,460	4,804,000	1,987,382	7,613,842	(1,082,118)
Net Change in Fund Balances	2,026,323	1,843,837	(838,559)	3,031,601	(799,100)
Fund Balances (Deficits) - January 1	1,564,880	160,800	1,992,287	3,717,967	3,273,651
Fund Balances (Deficits) - December 31	\$ 3,591,203	\$ 2,004,637	\$ 1,153,728	\$ 6,749,568	\$ 2,474,551

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ -	\$ -	\$ -	\$ 8,182,016
-	-	-	208,188
-	-	-	1,625,656
-	-	-	598,520
-	-	-	732,004
16,810	-	16,810	1,917,781
3,711	87,860	91,571	1,250,462
20,521	87,860	108,381	14,514,627
-	-	-	460,646
-	-	-	564,818
-	-	-	1,043,327
450	-	450	450
-	-	-	3,053,777
-	-	-	4,301,908
-	-	-	1,721,686
-	-	-	650,224
-	-	-	6,263,323
450	-	450	18,060,159
20,071	87,860	107,931	(3,545,532)
-	-	-	13,645,000
-	-	-	49,079
-	-	-	664,000
-	-	-	1,039,062
-	-	-	(6,940,000)
-	-	-	1,219,939
(3,154)	-	(3,154)	(4,654,866)
(3,154)	-	(3,154)	5,022,214
16,917	87,860	104,777	1,476,682
852,583	1,218,272	2,070,855	12,521,181
\$ 869,500	\$ 1,306,132	\$ 2,175,632	\$ 13,997,863

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Special Revenue Funds
For the Year Ended December 31, 2016

	Mead Library				Cable TV				Tourism Promotion		
	Original Budget	Final Budget	Actual	Variance-Positive (Negative)	Original Budget	Final Budget	Actual	Variance-Positive (Negative)	Original Budget	Final Budget	Actual
Revenues											
Taxes	\$ 2,305,741	\$ 2,305,741	\$ 2,305,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,229,843	\$ 1,229,843	\$ 1,523,458
Special assessments	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	622,405	646,207	650,769	4,562	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	570,000	570,000	598,520	28,520	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-
Public charges for services	65,700	65,700	59,880	(5,820)	2,170	2,170	1,225	(945)	-	-	-
Miscellaneous	40,000	84,000	68,626	(15,374)	4,000	4,000	6,736	2,736	-	-	3,824
Total Revenues	3,033,846	3,101,648	3,085,016	(16,632)	576,170	576,170	606,481	30,311	1,229,843	1,229,843	1,527,282
Expenditures											
General government	-	-	-	-	-	-	-	-	4,650	4,650	2,971
Public safety	-	-	-	-	-	-	-	-	25,122	25,122	28,739
Public works	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	3,014,346	3,088,234	2,869,790	218,444	183,685	183,685	164,440	19,245	53,783	53,783	19,547
Conservation and development	-	-	-	-	-	-	-	-	382,639	382,639	501,688
Debt service											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	19,500	25,580	25,490	90	16,956	78,406	80,303	(1,897)	-	40,000	48,364
Total Expenditures	3,033,846	3,113,814	2,895,280	218,534	200,641	262,091	244,743	17,348	466,194	506,194	601,309
Excess (Deficiency) of Revenues											
Over Expenditures	-	(12,166)	189,736	201,902	375,529	314,079	361,738	47,659	763,649	723,649	925,973
Other Financing Sources (Uses)											
Capital leases	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(375,529)	(375,529)	(375,529)	-	(735,302)	(735,302)	(875,683)
Total Other Financing Sources (Uses)	-	-	-	-	(375,529)	(375,529)	(375,529)	-	(735,302)	(735,302)	(875,683)
Net Change in Fund Balances	-	(12,166)	189,736	201,902	-	(61,450)	(13,791)	47,659	28,347	(11,653)	50,290
Fund Balances (Deficit) -											
January 1	868,607	868,607	868,607	-	894,361	894,361	894,361	-	680,910	680,910	680,910
Fund Balances (Deficit) -											
December 31	\$ 868,607	\$ 856,441	\$ 1,058,343	\$ 201,902	\$ 894,361	\$ 832,911	\$ 880,570	\$ 47,659	\$ 709,257	\$ 669,257	\$ 731,200

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Special Revenue Funds
For the Year Ended December 31, 2016

	Harbor Center Marina				Police Meg Unit			Special Assessment		
	Variance-Positive (Negative)	Original Budget	Final Budget	Actual	Variance-Positive (Negative)	Original and Final Budget	Actual	Variance-Positive (Negative)	Original and Final Budget	Actual
Revenues										
Taxes	\$ 293,615	\$ -	\$ -	\$ 139	\$ 139	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	-	252,400	208,188
Intergovernmental	-	-	-	21,564	21,564	53,827	26,691	(27,136)	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Public charges for services	-	775,000	775,000	826,173	51,173	-	-	-	-	-
Miscellaneous	3,824	-	-	54,415	54,415	-	24	24	15,000	16,138
Total Revenues	297,439	775,000	775,000	902,291	127,291	53,827	26,715	(27,112)	267,400	224,326
Expenditures										
General government	1,679	-	-	-	-	-	-	-	-	-
Public safety	(3,617)	-	-	-	-	53,827	28,492	25,335	-	-
Public works	-	775,000	971,979	1,043,327	(71,348)	-	-	-	-	-
Culture and recreation	34,236	-	-	-	-	-	-	-	-	-
Conservation and development	(119,049)	-	-	-	-	-	-	-	-	-
Debt service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	15,133	(15,133)	-	-	-	-	-
Capital outlay	(8,364)	-	-	-	-	-	-	-	-	-
Total Expenditures	(95,115)	775,000	971,979	1,058,460	(86,481)	53,827	28,492	25,335	-	-
Excess (Deficiency) of Revenues Over Expenditures	202,324	-	(196,979)	(156,169)	40,810	-	(1,777)	(1,777)	267,400	224,326
Other Financing Sources (Uses)										
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	91,675	91,675	-	-	961	961	-	-
Transfers out	(140,381)	-	-	-	-	-	-	-	(345,024)	(345,024)
Total Other Financing Sources (Uses)	(140,381)	-	91,675	91,675	-	-	961	961	(345,024)	(345,024)
Net Change in Fund Balances	61,943	-	(105,304)	(64,494)	40,810	-	(816)	(816)	(77,624)	(120,698)
Fund Balances (Deficit) - January 1	-	(3,255,112)	(3,255,112)	(3,255,112)	-	20,161	20,161	-	1,359,728	1,359,728
Fund Balances (Deficit) - December 31	\$ 61,943	\$ (3,255,112)	\$ (3,360,416)	\$ (3,319,606)	\$ 40,810	\$ 20,161	\$ 19,345	\$ (816)	\$ 1,282,104	\$ 1,239,030

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Special Revenue Funds
For the Year Ended December 31, 2016

	Redevelopment Authority			Municipal Court			Ambulance			
	Variance-Positive (Negative)	Original and Final Budget	Actual	Variance-Positive (Negative)	Original and Final Budget	Actual	Variance-Positive (Negative)	Original and Final Budget	Actual	Variance-Positive (Negative)
Revenues										
Taxes	\$ -	\$ 15,000	\$ 22,429	\$ 7,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	(44,212)	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	9,961	9,461	(500)
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	900,000	732,004	(167,996)	-	-	-
Public charges for services	-	-	-	-	4,500	5,533	1,033	1,224,996	1,003,708	(221,288)
Miscellaneous	1,138	-	201,382	201,382	-	604	604	-	544	544
Total Revenues	(43,074)	15,000	223,811	208,811	904,500	738,141	(166,359)	1,234,957	1,013,713	(221,244)
Expenditures										
General government	-	-	-	-	516,105	457,675	58,430	-	-	-
Public safety	-	-	-	-	-	-	-	545,397	507,587	37,810
Public works	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Conservation and development	-	15,000	28,497	(13,497)	-	-	-	-	-	-
Debt service										
Principal	-	-	-	-	-	-	-	86,735	86,735	-
Interest and fiscal charges	-	-	-	-	-	-	-	19,721	19,721	-
Capital outlay	-	-	-	-	-	-	-	-	664,000	(664,000)
Total Expenditures	-	15,000	28,497	(13,497)	516,105	457,675	58,430	651,853	1,278,043	(626,190)
Excess (Deficiency) of Revenues Over Expenditures	(43,074)	-	195,314	195,314	388,395	280,466	(107,929)	583,104	(264,330)	(847,434)
Other Financing Sources (Uses)										
Capital leases	-	-	-	-	-	-	-	-	664,000	664,000
Sale of capital assets	-	-	-	-	-	-	-	-	13,411	13,411
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(388,395)	(296,161)	92,234	(583,104)	(475,705)	107,399
Total Other Financing Sources (Uses)	-	-	-	-	(388,395)	(296,161)	92,234	(583,104)	201,706	784,810
Net Change in Fund Balances	(43,074)	-	195,314	195,314	-	(15,695)	(15,695)	-	(62,624)	(62,624)
Fund Balances (Deficit) - January 1	-	114,698	114,698	-	16,299	16,299	-	317,204	317,204	-
Fund Balances (Deficit) - December 31	\$ (43,074)	\$ 114,698	\$ 310,012	\$ 195,314	\$ 16,299	\$ 604	\$ (15,695)	\$ 317,204	\$ 254,580	\$ (62,624)

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Debt Service Funds
For the Year Ended December 31, 2016

	Debt Service GO Debt				Debt Service TIF Districts			
	Original Budget	Final Budget	Actual	Variance-Positive (Negative)	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Revenues								
Taxes	\$ 2,886,889	\$ 2,886,889	\$ 2,886,889	\$ -	\$ 3,803,465	\$ 3,803,465	\$ 2,587,423	\$ (1,216,042)
Intergovernmental	-	-	-	-	40,597	40,597	25,017	(15,580)
Miscellaneous	507,544	507,544	540,684	33,140	13,000	13,000	58,902	45,902
Total Revenues	<u>3,394,433</u>	<u>3,394,433</u>	<u>3,427,573</u>	<u>33,140</u>	<u>3,857,062</u>	<u>3,857,062</u>	<u>2,671,342</u>	<u>(1,185,720)</u>
Expenditures								
Conservation and development	-	-	-	-	801,693	801,693	180,643	621,050
Debt service								
Principal	3,370,279	3,420,279	3,420,277	2	1,634,951	1,634,951	1,634,951	-
Interest and fiscal charges	812,394	898,115	884,452	13,663	486,076	559,374	572,730	(13,356)
Total Expenditures	<u>4,182,673</u>	<u>4,318,394</u>	<u>4,304,729</u>	<u>13,665</u>	<u>2,922,720</u>	<u>2,996,018</u>	<u>2,388,324</u>	<u>607,694</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(788,240)</u>	<u>(923,961)</u>	<u>(877,156)</u>	<u>46,805</u>	<u>934,342</u>	<u>861,044</u>	<u>283,018</u>	<u>(578,026)</u>
Other Financing Sources (Uses)								
Long-term debt issued	-	-	-	-	-	6,920,000	6,960,000	40,000
Premium on long-term debt issued	-	-	59,271	59,271	-	-	49,079	49,079
Payment to current noteholder	-	-	-	-	-	(6,940,000)	(6,940,000)	-
Transfers in	1,028,240	1,028,240	1,178,661	150,421	104,890	104,890	8,303	(96,587)
Transfers out	(240,000)	(240,000)	-	240,000	(242,703)	(1,361,703)	(1,159,500)	202,203
Total Other Financing Sources (Uses)	<u>788,240</u>	<u>788,240</u>	<u>1,237,932</u>	<u>449,692</u>	<u>(137,813)</u>	<u>(1,276,813)</u>	<u>(1,082,118)</u>	<u>194,695</u>
Net Change in Fund Balances	<u>-</u>	<u>(135,721)</u>	<u>360,776</u>	<u>496,497</u>	<u>796,529</u>	<u>(415,769)</u>	<u>(799,100)</u>	<u>(383,331)</u>
Fund Balances - January 1	<u>7,091,324</u>	<u>7,091,324</u>	<u>7,091,324</u>	<u>-</u>	<u>3,273,651</u>	<u>3,273,651</u>	<u>3,273,651</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 7,091,324</u>	<u>\$ 6,955,603</u>	<u>\$ 7,452,100</u>	<u>\$ 496,497</u>	<u>\$ 4,070,180</u>	<u>\$ 2,857,882</u>	<u>\$ 2,474,551</u>	<u>\$ (383,331)</u>

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Capital Project Funds
For the Year Ended December 31, 2016

	Capital Projects Tax Levy				Capital Projects TIF Districts			
	Original Budget	Final Budget	Actual	Variance- Positive (Negative)	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Revenues								
Taxes	\$ 1,064,250	\$ 1,064,250	\$ 1,742,826	\$ 678,576	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	409,079	400,461	(8,618)	-	250,000	-	(250,000)
Miscellaneous	-	25,500	49,349	23,849	-	-	8,506	8,506
Total Revenues	<u>1,064,250</u>	<u>1,498,829</u>	<u>2,192,636</u>	<u>693,807</u>	<u>-</u>	<u>250,000</u>	<u>8,506</u>	<u>(241,494)</u>
Expenditures								
Conservation and development	-	-	-	-	-	3,354,801	1,485,695	1,869,106
Debt service								
Interest and fiscal charges	-	-	-	-	-	42,640	42,640	-
Capital outlay	1,064,250	2,290,415	988,773	1,301,642	-	2,403,535	1,440,334	963,201
Total Expenditures	<u>1,064,250</u>	<u>2,290,415</u>	<u>988,773</u>	<u>1,301,642</u>	<u>-</u>	<u>5,800,976</u>	<u>2,968,669</u>	<u>2,832,307</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(791,586)</u>	<u>1,203,863</u>	<u>1,995,449</u>	<u>-</u>	<u>(5,550,976)</u>	<u>(2,960,163)</u>	<u>2,590,813</u>
Other Financing Sources (Uses)								
Long-term debt issued	-	-	-	-	-	3,725,000	3,685,000	(40,000)
Sale of capital assets	-	-	933,952	933,952	-	-	-	-
Transfers in	-	-	-	-	-	1,100,000	1,119,000	19,000
Transfers out	(4,100)	(111,492)	(111,492)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(4,100)</u>	<u>(111,492)</u>	<u>822,460</u>	<u>933,952</u>	<u>-</u>	<u>4,825,000</u>	<u>4,804,000</u>	<u>(21,000)</u>
Net Change in Fund Balances	<u>(4,100)</u>	<u>(903,078)</u>	<u>2,026,323</u>	<u>2,929,401</u>	<u>-</u>	<u>(725,976)</u>	<u>1,843,837</u>	<u>2,569,813</u>
Fund Balances - January 1	<u>1,564,880</u>	<u>1,564,880</u>	<u>1,564,880</u>	<u>-</u>	<u>160,800</u>	<u>160,800</u>	<u>160,800</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 1,560,780</u>	<u>\$ 661,802</u>	<u>\$ 3,591,203</u>	<u>\$ 2,929,401</u>	<u>\$ 160,800</u>	<u>\$ (565,176)</u>	<u>\$ 2,004,637</u>	<u>\$ 2,569,813</u>

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Capital Project Funds
For the Year Ended December 31, 2016

	Capital Projects Bonded			Variance- Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Conservation and development	410,000	417,538	4,413	413,125
Debt service				
Interest and fiscal charges	-	-	-	-
Capital outlay	2,590,000	3,543,288	2,821,528	721,760
Total Expenditures	<u>3,000,000</u>	<u>3,960,826</u>	<u>2,825,941</u>	<u>1,134,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,000,000)</u>	<u>(3,960,826)</u>	<u>(2,825,941)</u>	<u>1,134,885</u>
Other Financing Sources (Uses)				
Long-term debt issued	3,000,000	3,000,000	3,000,000	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(1,000,000)	(1,012,618)	(12,618)
Total Other Financing Sources (Uses)	<u>3,000,000</u>	<u>2,000,000</u>	<u>1,987,382</u>	<u>(12,618)</u>
Net Change in Fund Balances	-	(1,960,826)	(838,559)	1,122,267
Fund Balances - January 1	<u>1,992,287</u>	<u>1,992,287</u>	<u>1,992,287</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 1,992,287</u>	<u>\$ 31,461</u>	<u>\$ 1,153,728</u>	<u>\$ 1,122,267</u>

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Permanent Funds
For the Year Ended December 31, 2016

	Cemetery Perpetual Care			Library Trust		
	Original and Final Budget	Actual	Variance- Positive (Negative)	Original and Final Budget	Actual	Variance- Positive (Negative)
Revenues						
Public charges for services	\$ 9,400	\$ 16,810	\$ 7,410	\$ -	\$ -	\$ -
Miscellaneous	540	3,711	3,171	7,000	87,860	80,860
Total Revenues	<u>9,940</u>	<u>20,521</u>	<u>10,581</u>	<u>7,000</u>	<u>87,860</u>	<u>80,860</u>
Expenditures						
Health and human services	-	450	(450)	-	-	-
Culture and recreation	-	-	-	7,000	-	7,000
Total Expenditures	<u>-</u>	<u>450</u>	<u>(450)</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Excess of Revenues Over Expenditures	<u>9,940</u>	<u>20,071</u>	<u>10,131</u>	<u>-</u>	<u>87,860</u>	<u>87,860</u>
Other Financing Uses						
Transfers out	<u>(540)</u>	<u>(3,154)</u>	<u>(2,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	9,400	16,917	7,517	-	87,860	87,860
Fund Balances - January 1	<u>852,583</u>	<u>852,583</u>	<u>-</u>	<u>1,218,272</u>	<u>1,218,272</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 861,983</u>	<u>\$ 869,500</u>	<u>\$ 7,517</u>	<u>\$ 1,218,272</u>	<u>\$ 1,306,132</u>	<u>\$ 87,860</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2016

	Transit Commission	Parking Facility	Boat Facility	Totals
ASSETS				
Cash and investments	\$ 2,840,140	\$ 545,189	\$ 236,200	\$ 3,621,529
Receivables				
Taxes	511,547	16,103	-	527,650
Accounts	825	20,117	-	20,942
Special assessments	-	123,853	-	123,853
Other	4,513	1,126	755	6,394
Due from other governments	191,424	-	-	191,424
Inventories and prepaid items	25,506	-	-	25,506
Advance to other funds	-	-	445,913	445,913
Capital assets, nondepreciable				
Land	35,754	716,258	-	752,012
Capital assets, depreciable				
Buildings and improvements	738,173	14,241	-	752,414
Improvements other than buildings	872,007	1,797,270	495,106	3,164,383
Machinery and equipment	5,845,664	253,132	-	6,098,796
Less: Accumulated depreciation	(6,447,052)	(1,611,317)	(387,185)	(8,445,554)
TOTAL ASSETS	4,618,501	1,875,972	790,789	7,285,262
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,258,663	43,391	-	1,302,054
LIABILITIES				
Accounts payable	223,666	30,029	1,731	255,426
Accrued and other current liabilities	97,635	3,592	-	101,227
Due to other governments	-	2,979	-	2,979
Unearned revenues	-	-	91	91
Long-term Obligations				
Net pension liability	226,986	7,516	-	234,502
TOTAL LIABILITIES	548,287	44,116	1,822	594,225
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	479,882	15,890	-	495,772
Property taxes levied for subsequent year	511,547	-	-	511,547
TOTAL DEFERRED INFLOWS OF RESOURCES	991,429	15,890	-	1,007,319
NET POSITION				
Net investment in capital assets	1,044,546	1,169,584	107,921	2,322,051
Unrestricted	3,292,902	689,773	681,046	4,663,721
TOTAL NET POSITION	\$ 4,337,448	\$ 1,859,357	\$ 788,967	\$ 6,985,772

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds

For the Year Ended December 31, 2016

	Transit Commission	Parking Facility	Boat Facility	Totals
Operating Revenues				
Charges for services	\$ 732,396	\$ 359,579	\$ 61,400	\$ 1,153,375
Other	88,109	5,283	-	93,392
Total Operating Revenues	<u>820,505</u>	<u>364,862</u>	<u>61,400</u>	<u>1,246,767</u>
Operating Expenses				
Personal services	2,899,985	175,568	-	3,075,553
Contractual services	205,202	185,776	75,413	466,391
Supplies and materials	545,976	53,851	-	599,827
Insurance	127,083	884	-	127,967
Other	96,153	7,567	-	103,720
Depreciation	355,596	23,552	21,479	400,627
Total Operating Expenses	<u>4,229,995</u>	<u>447,198</u>	<u>96,892</u>	<u>4,774,085</u>
Operating Loss	<u>(3,409,490)</u>	<u>(82,336)</u>	<u>(35,492)</u>	<u>(3,527,318)</u>
Nonoperating Revenues (Expenses)				
Property taxes	511,547	-	-	511,547
Intergovernmental	2,627,871	-	-	2,627,871
Investment income	13,568	4,769	17,325	35,662
Miscellaneous revenues (expenses)	(4,312)	14,758	-	10,446
Total Nonoperating Revenues	<u>3,148,674</u>	<u>19,527</u>	<u>17,325</u>	<u>3,185,526</u>
Loss Before Transfers	(260,816)	(62,809)	(18,167)	(341,792)
Transfers in	-	8,694	-	8,694
Transfers out	-	-	(91,675)	(91,675)
Change in Net Position	(260,816)	(54,115)	(109,842)	(424,773)
Net Position - January 1	<u>4,598,264</u>	<u>1,913,472</u>	<u>898,809</u>	<u>7,410,545</u>
Net Position - December 31	<u>\$ 4,337,448</u>	<u>\$ 1,859,357</u>	<u>\$ 788,967</u>	<u>\$ 6,985,772</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2016

	Transit Commission	Parking Facility	Boat Facility	Totals
Cash Flows from Operating Activities				
Receipts from customers	\$ 868,890	\$ 331,347	\$ 61,189	\$ 1,261,426
Payments to suppliers	(827,086)	(237,441)	(79,882)	(1,144,409)
Payments to employees	(2,793,283)	(172,520)	78	(2,965,725)
Net Cash Used by Operating Activities	(2,751,479)	(78,614)	(18,615)	(2,848,708)
Cash Flows from Noncapital and Related Financing Activities				
Property taxes	511,547	-	-	511,547
Intergovernmental grants	2,627,871	-	-	2,627,871
Transfers in	-	8,694	-	8,694
Nonoperating revenues	(4,312)	14,758	-	10,446
Transfers out	-	-	(91,675)	(91,675)
Advances to other funds	-	-	(106,809)	(106,809)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	3,135,106	23,452	(198,484)	2,960,074
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(164,070)	-	(164,070)
Cash Flows from Investing Activities				
Interest received	13,568	4,769	17,325	35,662
Change in Cash and Cash Equivalents	397,195	(214,463)	(199,774)	(17,042)
Cash and Cash Equivalents - January 1	2,442,945	759,652	435,974	3,638,571
Cash and Cash Equivalents - December 31	\$ 2,840,140	\$ 545,189	\$ 236,200	\$ 3,621,529
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating loss	\$ (3,409,490)	\$ (82,336)	\$ (35,492)	\$ (3,527,318)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	355,596	23,552	21,479	400,627
Change in pension related liabilities (assets) and deferred outflows/inflows of resources	93,395	2,588	78	96,061
Changes in assets and liabilities				
Receivables	1,150	(33,515)	(209)	(32,574)
Due from other governments	47,235	-	-	47,235
Inventories and prepaid items	(20,889)	-	-	(20,889)
Accounts payable	168,217	9,075	(4,469)	172,823
Accrued and other current liabilities	13,307	460	-	13,767
Due to other governments	-	1,562	-	1,562
Unearned revenues	-	-	(2)	(2)
Net Cash Used by Operating Activities	\$ (2,751,479)	\$ (78,614)	\$ (18,615)	\$ (2,848,708)
Noncash Investing, Capital and Financing Activities				
None	\$ -	\$ -	\$ -	\$ -

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Position
Internal Service Funds
December 31, 2016

	Motor Vehicle	Data Processing	Health Self Insurance
ASSETS			
Cash and investments	\$ 2,224,709	\$ 956,007	\$ 6,367,658
Receivables			
Other	5,031	2,348	12,714
Inventories and prepaid items	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Construction in progress	-	99,082	-
Capital assets, depreciable			
Machinery and equipment	12,814,954	827,797	-
Less: Accumulated depreciation	(8,198,108)	(712,612)	-
TOTAL ASSETS	6,846,586	1,172,622	6,380,372
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	246,483	225,768	49,134
LIABILITIES			
Accounts payable	129,471	171,691	8,533
Accrued and other current liabilities	17,061	14,683	671,849
Long-term obligations			
Net pension liability	44,069	39,914	8,752
TOTAL LIABILITIES	190,601	226,288	689,134
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	93,169	84,385	18,503
NET POSITION			
Net investment in capital assets	4,616,846	214,267	-
Unrestricted	2,192,453	873,450	5,721,869
TOTAL NET POSITION	\$ 6,809,299	\$ 1,087,717	\$ 5,721,869

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,633,760	\$ 412,237	\$ 11,594,371
2,888	541	23,522
-	46,184	46,184
-	2,205,665	2,205,665
-	-	99,082
-	-	13,642,751
-	-	(8,910,720)
<u>1,636,648</u>	<u>2,664,627</u>	<u>18,700,855</u>
<u>36,872</u>	<u>-</u>	<u>558,257</u>
-	1,776	311,471
55,993	185,703	945,289
<u>6,569</u>	<u>-</u>	<u>99,304</u>
<u>62,562</u>	<u>187,479</u>	<u>1,356,064</u>
<u>13,888</u>	<u>-</u>	<u>209,945</u>
-	-	4,831,113
<u>1,597,070</u>	<u>2,477,148</u>	<u>12,861,990</u>
<u>\$ 1,597,070</u>	<u>\$ 2,477,148</u>	<u>\$ 17,693,103</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2016

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 1,818,301	\$ 854,487	\$ 6,157,071
Other	687	51	5,243
Total Operating Revenues	<u>1,818,988</u>	<u>854,538</u>	<u>6,162,314</u>
Operating Expenses			
Personal services	584,764	554,005	116,322
Contractual services	542,786	255,221	304,887
Supplies and materials	251,868	841	43
Insurance	-	-	5,271,879
Other	44,619	503,408	634,554
Depreciation	813,964	44,145	-
Total Operating Expenses	<u>2,238,001</u>	<u>1,357,620</u>	<u>6,327,685</u>
Operating Income (Loss)	<u>(419,013)</u>	<u>(503,082)</u>	<u>(165,371)</u>
Nonoperating Revenues			
Investment income	15,125	7,060	38,223
Sale of capital assets	344,096	-	-
Total Nonoperating Revenues	<u>359,221</u>	<u>7,060</u>	<u>38,223</u>
Income (Loss) Before Transfers	<u>(59,792)</u>	<u>(496,022)</u>	<u>(127,148)</u>
Transfers in	1,000,000	-	-
Transfers out	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	815,208	(496,022)	(127,148)
Net Position - January 1	<u>5,994,091</u>	<u>1,583,739</u>	<u>5,849,017</u>
Net Position - December 31	<u>\$ 6,809,299</u>	<u>\$ 1,087,717</u>	<u>\$ 5,721,869</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 606,455	\$ 141,318	\$ 9,577,632
-	61,316	67,297
<u>606,455</u>	<u>202,634</u>	<u>9,644,929</u>
129,145	-	1,384,236
23,535	8,718	1,135,147
-	23	252,775
362,222	168,966	5,803,067
-	-	1,182,581
-	-	858,109
<u>514,902</u>	<u>177,707</u>	<u>10,615,915</u>
<u>91,553</u>	<u>24,927</u>	<u>(970,986)</u>
8,684	1,627	70,719
-	-	344,096
<u>8,684</u>	<u>1,627</u>	<u>414,815</u>
100,237	26,554	(556,171)
-	-	1,000,000
-	-	(125,000)
<u>100,237</u>	<u>26,554</u>	<u>318,829</u>
<u>1,496,833</u>	<u>2,450,594</u>	<u>17,374,274</u>
<u>\$ 1,597,070</u>	<u>\$ 2,477,148</u>	<u>\$ 17,693,103</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2016

	Motor Vehicle	Data Processing	Health Self Insurance
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,816,082	\$ 853,646	\$ 6,159,004
Payments to suppliers	(784,318)	(786,334)	(6,921,905)
Payments to employees	(566,113)	(521,115)	(112,151)
Net Cash Provided (Used) by Operating Activities	<u>465,651</u>	<u>(453,803)</u>	<u>(875,052)</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfer in	<u>875,000</u>	-	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(1,522,594)	(158,263)	-
Proceeds from sale of capital assets	344,096	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,178,498)</u>	<u>(158,263)</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received	<u>15,125</u>	<u>7,060</u>	<u>38,223</u>
Change in Cash and Cash Equivalents	<u>177,278</u>	<u>(605,006)</u>	<u>(836,829)</u>
Cash and Cash Equivalents - January 1	<u>2,047,431</u>	<u>1,561,013</u>	<u>7,204,487</u>
Cash and Cash Equivalents - December 31	<u>\$ 2,224,709</u>	<u>\$ 956,007</u>	<u>\$ 6,367,658</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (419,013)	\$ (503,082)	\$ (165,371)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	813,964	44,145	-
Change in pension related liabilities (assets) and deferred outflows/inflows of resources	17,160	34,987	4,171
Changes in assets and liabilities			
Receivables	(2,906)	(892)	(3,310)
Inventories and prepaid items	-	-	-
Accounts payable	54,955	(26,864)	(5,984)
Accrued and other current liabilities	1,491	(2,097)	(704,558)
Net Cash Provided (Used) by Operating Activities	<u>\$ 465,651</u>	<u>\$ (453,803)</u>	<u>\$ (875,052)</u>
Noncash Investing, Capital and Financing Activities			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 605,459	\$ 202,395	\$ 9,636,586
(395,388)	(177,926)	(9,065,871)
(127,392)	-	(1,326,771)
<u>82,679</u>	<u>24,469</u>	<u>(756,056)</u>
-	-	875,000
-	-	(1,680,857)
-	-	344,096
-	-	<u>(1,336,761)</u>
8,684	1,627	70,719
91,363	26,096	(1,147,098)
<u>1,542,397</u>	<u>386,141</u>	<u>12,741,469</u>
<u>\$ 1,633,760</u>	<u>\$ 412,237</u>	<u>\$ 11,594,371</u>
\$ 91,553	\$ 24,927	\$ (970,986)
-	-	858,109
1,753	-	58,071
(996)	(239)	(8,343)
-	1,262	1,262
(350)	(1,481)	20,276
(9,281)	-	(714,445)
<u>\$ 82,679</u>	<u>\$ 24,469</u>	<u>\$ (756,056)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Sheboygan, Wisconsin's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<u>Category</u>	<u>Table Numbers</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1, 2, 3, 4, 5, 6
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue source, property taxes.	7, 8, 9, 10, 11
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional future debt.	12, 13, 14, 15, 16
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	17, 18, 19, 20, 21, 22

CITY OF SHEBOYGAN, WISCONSIN

Table 1
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities										
Net investment in capital assets	\$ 43,016,811	\$ 38,970,270	\$ 41,488,124	\$ 58,606,360	\$ 62,034,386	\$ 62,614,199	\$ 61,686,120	\$ 65,499,602	\$ 68,762,742	\$ 72,566,789
Restricted	10,545,994	10,200,793	10,493,524	11,657,598	13,430,825	10,025,353	10,281,124	15,388,499	26,080,482	19,788,354
Unrestricted	23,865,857	28,586,833	28,086,580	32,800,773	28,444,039	38,723,736	42,265,308	37,210,360	42,348,123	45,306,587
Total Governmental Activities Net Position	\$ 77,428,662	\$ 77,757,896	\$ 80,068,228	\$ 103,064,731	\$ 103,909,250	\$ 111,363,288	\$ 114,232,552	\$ 118,098,461	\$ 137,191,347	\$ 137,661,730
Business-type Activities										
Net investment in capital assets	\$ 57,018,265	\$ 55,115,451	\$ 55,832,054	\$ 43,048,680	\$ 44,776,929	\$ 46,036,580	\$ 47,127,812	\$ 46,101,809	\$ 49,034,460	\$ 49,659,932
Restricted	254,857	253,405	249,998	224,414	250,873	263,213	327,984	354,742	1,085,229	362,790
Unrestricted	9,682,258	11,642,831	10,878,800	11,014,009	11,169,275	13,397,149	14,623,418	16,873,324	16,791,423	18,726,071
Total Business-Type Activities Net Position	\$ 66,955,380	\$ 67,011,687	\$ 66,960,852	\$ 54,287,103	\$ 56,197,077	\$ 59,696,942	\$ 62,079,214	\$ 63,329,875	\$ 66,911,112	\$ 68,748,793
Primary Government										
Net investment in capital assets	\$ 100,035,076	\$ 94,085,721	\$ 97,320,178	\$ 101,655,040	\$ 106,811,315	\$ 108,650,779	\$ 108,813,932	\$ 111,601,411	\$ 117,797,202	\$ 122,226,721
Restricted	10,800,851	10,454,198	10,743,522	11,882,012	13,681,698	10,288,566	10,609,108	15,743,241	27,165,711	20,151,144
Unrestricted	33,548,115	40,229,664	38,965,380	43,814,782	39,613,314	52,120,885	56,888,726	54,083,684	59,139,546	64,032,658
Total Primary Government Net Position	\$ 144,384,042	\$ 144,769,583	\$ 147,029,080	\$ 157,351,834	\$ 160,106,327	\$ 171,060,230	\$ 176,311,766	\$ 181,428,336	\$ 204,102,459	\$ 206,410,523

Data Source:

City of Sheboygan Annual Financial Reports

CITY OF SHEBOYGAN, WISCONSIN

Table 2
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
General Government	\$ 6,235,751	\$ 6,469,360	\$ 7,071,443	\$ 5,183,018	\$ 5,326,674	\$ 4,254,073	\$ 5,171,405	\$ 4,144,176	\$ 4,564,930	\$ 5,444,768
Public Safety	20,775,843	21,489,185	21,408,702	20,716,281	20,581,232	19,556,679	21,006,290	22,111,836	21,536,099	25,225,575
Public Works	9,088,605	12,244,009	12,177,337	9,903,725	12,584,958	10,758,639	12,174,901	10,790,187	10,487,907	11,717,027
Health and Human Services	450,749	805,281	450,730	406,364	385,895	237,296	172,242	304,209	248,554	227,450
Culture and Recreation	7,930,749	7,636,722	7,120,598	6,712,200	5,707,005	5,770,952	6,032,967	6,543,709	6,351,971	6,044,438
Conservation and Development	4,334,987	1,846,998	2,072,271	3,315,157	6,296,295	7,363,068	4,171,513	4,884,854	3,794,389	6,814,846
Interest on Debt	2,834,421	3,192,276	2,797,690	2,746,639	2,525,082	2,035,610	1,715,905	1,633,489	1,560,094	1,500,390
Total Governmental Activities Expenses	51,651,105	53,683,831	53,098,771	48,983,384	53,407,141	49,976,317	50,445,223	50,412,460	48,543,944	56,974,494
Business Type Activities										
Sewerage System	7,292,744	7,711,056	6,250,337	5,837,214	6,376,121	5,897,388	5,883,145	6,890,509	6,581,820	6,953,152
Water Utility	4,367,070	4,266,675	4,871,023	5,089,016	4,701,580	4,613,636	5,018,488	5,716,087	5,696,692	5,686,315
Storm Water Utility	1,584,217	1,049,752	429,384	-	-	-	-	-	-	-
Transit Commission	4,597,851	4,318,999	4,241,882	4,492,552	4,647,465	4,034,267	4,312,550	4,438,191	4,484,699	4,248,573
Parking Facility	393,050	485,803	382,162	400,498	406,036	370,262	435,586	370,770	389,148	448,263
Boat Facility	54,765	68,371	76,693	77,220	185,309	85,492	108,672	80,927	84,605	96,892
Total Business-type Activities Expenses	18,289,697	17,900,656	16,251,481	15,896,500	16,316,511	15,001,045	15,758,441	17,496,484	17,236,964	17,433,195
Total Primary Government Expenses	\$ 69,940,802	\$ 71,584,487	\$ 69,350,252	\$ 64,879,884	\$ 69,723,652	\$ 64,977,362	\$ 66,203,664	\$ 67,908,944	\$ 65,780,908	\$ 74,407,689
Program Revenues										
Governmental Activities										
General Government	\$ 1,348,761	\$ 1,500,247	\$ 16,519,291	\$ 1,539,460	\$ 1,295,691	\$ 1,418,870	\$ 1,563,935	\$ 1,578,668	\$ 1,208,973	\$ 1,193,456
Public Safety	2,239,807	2,781,650	2,758,086	3,128,755	2,781,001	3,050,100	3,112,144	2,956,480	3,194,409	3,016,040
Public Works	3,287,500	3,552,929	2,520,781	4,759,933	4,865,155	5,421,157	5,113,945	5,869,381	6,463,775	10,324,602
Health and Human Services	114,497	86,872	95,415	113,975	125,782	123,796	128,532	110,999	101,684	118,574
Culture and Recreation	1,864,231	1,591,066	1,638,305	1,563,793	1,584,176	1,581,452	1,661,455	1,574,901	1,778,329	1,568,531
Conservation and Development	1,206,124	1,716,625	1,897,337	2,020,572	1,724,009	5,519,903	2,523,342	1,005,269	1,066,224	1,309,647
Interest on Debt	-	-	-	226,647	19,600	-	-	-	-	-
Total Governmental Activities Program Revenues	10,060,920	11,229,389	25,429,215	13,353,135	12,395,414	17,115,278	14,103,353	13,095,698	13,813,394	17,530,850

CITY OF SHEBOYGAN, WISCONSIN

Table 2
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business Type Activities										
Sewerage System	6,891,793	6,712,953	6,488,530	6,413,528	7,346,232	7,133,549	6,903,941	7,149,216	7,096,664	7,251,287
Water Utility	5,237,355	6,121,589	5,653,700	6,841,264	7,005,029	7,649,532	7,735,297	8,161,634	8,840,779	8,885,067
Storm Water Utility	1,238,178	639,812	960,129	-	-	-	-	-	-	-
Transit Commission	3,644,036	3,555,159	3,324,942	5,515,551	3,609,075	3,675,718	3,566,870	3,667,944	3,481,367	3,448,376
Parking Facility	434,063	463,543	412,999	424,829	428,909	388,697	400,132	361,313	377,104	364,862
Boat Facility	134,616	143,088	134,889	114,165	104,637	102,109	96,943	74,705	96,004	61,400
Total Business Type Activities Program Revenues	17,580,041	17,636,144	16,975,189	19,309,337	18,493,882	18,949,605	18,703,183	19,414,812	19,891,918	20,010,992
Total Primary Government Program Revenues	\$ 27,640,961	\$ 28,865,533	\$ 42,404,404	\$ 32,662,472	\$ 30,889,296	\$ 36,064,883	\$ 32,806,536	\$ 32,510,510	\$ 33,705,312	\$ 37,541,842
Net (Expense)Revenue										
Governmental Activities	\$ (41,590,185)	\$ (42,454,442)	\$ (27,669,556)	\$ (35,630,249)	\$ (41,011,727)	\$ (32,861,039)	\$ (36,341,870)	\$ (37,316,762)	\$ (34,730,550)	\$ (39,443,644)
Business Type Activities	(709,656)	(264,512)	723,708	3,412,837	2,177,371	3,948,560	2,944,742	1,918,328	2,654,954	2,577,797
Total Primary Government Net Expenses	\$ (42,299,841)	\$ (42,718,954)	\$ (26,945,848)	\$ (32,217,412)	\$ (38,834,356)	\$ (28,912,479)	\$ (33,397,128)	\$ (35,398,434)	\$ (32,075,596)	\$ (36,865,847)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes	\$ 26,665,539	\$ 27,296,803	\$ 26,990,776	\$ 27,788,931	\$ 26,969,653	\$ 26,433,662	\$ 25,373,427	\$ 25,979,122	\$ 26,730,996	\$ 25,554,735
Federal and State Grants and other Contributions not restricted to specific functions	12,966,618	12,975,866	133,506	12,715,780	12,620,057	11,979,429	11,941,310	11,965,361	12,148,337	12,065,160
Interest and Investment Earnings	3,544,025	1,724,495	596,435	1,130,629	824,677	875,581	480,981	1,787,042	1,095,318	504,160
Miscellaneous	674,501	49,906	524,887	294,826	109,605	49,806	148,729	145,502	246,267	160,041
Gain on Sale of Capital Asset	-	-	-	-	164,471	-	-	-	-	170,150
Transfers	676,862	736,606	1,734,284	16,696,586	1,167,783	1,219,980	1,266,687	1,305,644	1,445,191	1,459,781
Total Governmental Activities General Revenues	44,527,545	42,783,676	29,979,888	58,626,752	41,856,246	40,558,458	39,211,134	41,182,671	41,666,109	39,914,027
Business Type Activities										
Taxes	658,345	658,345	658,345	638,595	638,595	511,559	511,547	511,547	511,547	511,547
Interest and Investment Earnings	728,818	399,080	182,488	220,511	157,950	157,704	99,438	110,229	180,976	126,959
Miscellaneous	-	-	118,908	69,508	99,605	95,058	88,357	1,732	63,038	79,641
Gain on Sale of Capital Asset	-	-	-	-	4,236	6,964	4,875	14,469	9,535	1,518
Transfers	(676,862)	(736,606)	(1,734,284)	(16,696,586)	(1,167,783)	(1,219,980)	(1,266,687)	(1,305,644)	(1,445,191)	(1,459,781)
Total Business Type Activities General Revenues	710,301	320,819	(774,543)	(15,767,972)	(267,397)	(448,695)	(562,470)	(667,667)	(680,095)	(740,116)
Total primary Government General Revenues	\$ 45,237,846	\$ 43,104,495	\$ 29,205,345	\$ 42,858,780	\$ 41,588,849	\$ 40,109,763	\$ 38,648,664	\$ 40,515,004	\$ 40,986,014	\$ 39,173,911
Change in Net Position										
Governmental Activities	\$ 2,937,360	\$ 329,234	\$ 2,310,332	\$ 22,996,503	\$ 844,519	\$ 7,697,419	\$ 2,869,264	\$ 3,865,909	\$ 6,935,559	\$ 470,383
Business Type Activities	645	56,307	(50,835)	(12,355,135)	1,909,974	3,499,865	2,382,272	1,250,661	1,974,859	1,837,681
Total Primary Government	\$ 2,938,005	\$ 385,541	\$ 2,259,497	\$ 10,641,368	\$ 2,754,493	\$ 11,197,284	\$ 5,251,536	\$ 5,116,570	\$ 8,910,418	\$ 2,308,064

Data Source: City of Sheboygan Annual Financial Reports

CITY OF SHEBOYGAN, WISCONSIN

Table 3

**Fund Balances, Governmental Funds
Last Ten Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 4,162,566	\$ 2,967,095	\$ 2,977,023	\$ 2,014,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	1,625,695	1,619,045	1,654,485	1,590,841	1,804,028	1,432,804
Designated	4,605,881	4,850,787	4,614,000	4,014,000	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	992,144	836,003	2,936,649	350,000
Assigned	-	-	-	-	-	-	-	870,682	914,984	65,413
Unassigned	7,398,770	5,035,614	3,855,949	5,664,409	11,545,830	15,489,844	15,852,144	17,707,173	17,905,924	20,678,879
Total General Fund	\$ 16,167,217	\$ 12,853,496	\$ 11,446,972	\$ 11,692,957	\$ 13,171,525	\$ 17,108,889	\$ 18,498,773	\$ 21,004,699	\$ 23,561,585	\$ 22,527,096
Other Governmental Funds										
Reserved	\$ 15,391,525	\$ 12,031,595	\$ 10,513,107	\$ 11,511,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	5,150,811	5,347,879	5,579,340	4,728,499	1,473,070	1,562,662
Designated	3,833,610	1,081,626	268,275	209,681	-	-	-	-	-	-
Restricted	-	-	-	-	5,827,697	9,408,259	5,885,019	7,369,740	13,484,081	15,041,081
Committed	-	-	-	-	-	-	-	-	40,000	-
Assigned	-	-	-	-	7,180,948	7,171,609	7,108,882	5,543,581	7,890,953	8,183,988
Unassigned	(1,429,098)	2,470,487	3,937,896	7,141,434	(2,485,070)	(2,596,664)	(2,837,406)	(3,028,343)	(3,275,599)	(3,337,768)
Total Other Funds	\$ 17,796,037	\$ 15,583,708	\$ 14,719,278	\$ 18,862,832	\$ 15,674,386	\$ 19,331,083	\$ 15,735,835	\$ 14,613,477	\$ 19,612,505	\$ 21,449,963
Total Governmental Funds										
Reserved	\$ 19,554,091	\$ 14,998,690	\$ 13,490,130	\$ 13,526,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	6,776,506	6,966,924	7,233,825	6,319,340	3,277,098	2,995,466
Designated	8,439,491	5,932,413	4,882,275	4,223,681	-	-	-	-	-	-
Restricted	-	-	-	-	5,827,697	9,408,259	5,885,019	7,369,740	13,484,081	15,041,081
Committed	-	-	-	-	-	-	992,144	836,003	2,976,649	350,000
Assigned	-	-	-	-	7,180,948	7,171,609	7,108,882	6,414,263	8,805,937	8,249,401
Unassigned	5,969,672	7,506,101	7,793,845	12,805,843	9,060,760	12,893,180	13,014,738	14,678,830	14,630,325	17,341,111
Total Governmental Funds	\$ 33,963,254	\$ 28,437,204	\$ 26,166,250	\$ 30,555,789	\$ 28,845,911	\$ 36,439,972	\$ 34,234,608	\$ 35,618,176	\$ 43,174,090	\$ 43,977,059

Data Source: City of Sheboygan Annual Financial Reports

Note: In 2011 the City implemented GASB Statement No. 54, which changed the classifications of fund balances. Prior periods have not been reclassified to this new standard.

CITY OF SHEBOYGAN, WISCONSIN

Table 4

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 26,665,539	\$ 27,296,803	\$ 26,990,775	\$ 27,788,931	\$ 26,969,653	\$ 26,433,662	\$ 25,373,427	\$ 25,979,122	\$ 26,730,996	\$ 26,233,311
Special Assessments	364,290	344,980	407,400	210,612	185,639	291,643	307,802	483,427	257,859	208,188
Intergovernmental	17,381,784	17,890,271	18,366,110	18,272,517	18,927,296	20,726,417	17,731,503	16,229,810	16,470,674	15,833,146
Licenses and Permits	1,286,752	1,130,283	1,118,548	1,286,772	1,408,946	1,453,238	1,317,384	1,660,357	1,886,566	1,801,012
Fines and Forfeitures	1,806,395	2,043,330	1,774,039	1,710,250	1,208,976	1,357,149	1,568,882	1,616,499	1,175,917	1,041,267
Public Charges for Services	1,690,460	2,196,129	2,489,582	2,536,148	2,282,986	4,128,604	3,789,661	3,563,671	3,713,333	3,638,828
Intergovernmental Charges for Services	227,151	219,764	214,067	247,733	243,003	233,382	232,904	221,402	234,997	227,937
Miscellaneous	4,991,975	3,940,322	2,539,641	2,444,809	2,099,211	2,109,361	2,371,918	2,531,868	2,393,852	2,085,307
Realized/Unrealized Gain(Loss) on Investments	-	-	-	-	-	-	(1,179,021)	1,476,448	-	-
Total Revenues	54,414,346	55,061,882	53,900,162	54,497,772	53,325,710	56,733,456	51,514,460	53,762,604	52,864,194	51,068,996
Expenditures										
General Government	6,090,773	6,234,970	6,088,555	5,159,248	4,747,553	4,456,399	4,431,964	4,753,677	4,409,762	5,149,710
Public Safety	20,578,950	19,750,569	20,441,353	20,575,797	20,392,386	19,776,946	20,553,971	21,367,246	21,063,504	22,485,711
Public Works	7,485,084	8,305,682	8,775,515	8,130,896	8,111,058	7,399,144	7,953,580	7,814,736	7,720,406	8,486,569
Health and Human Services	447,057	407,003	702,021	394,006	370,949	275,459	340,304	302,082	234,405	233,901
Culture and Recreation	7,280,835	7,048,105	7,169,897	6,262,894	5,924,214	5,760,169	5,863,342	5,805,461	5,540,481	5,575,667
Conservation and Development	2,350,997	2,643,509	3,250,971	3,149,784	3,854,765	2,422,061	3,011,655	2,867,851	2,737,786	4,559,225
Other	26,303	14,625	-	-	-	-	-	-	-	-
Debt Service										
Principal	10,917,249	6,200,598	6,234,295	5,867,860	6,250,130	6,593,010	5,531,141	5,251,521	5,149,585	5,141,963
Interest and Fiscal Charges	3,144,523	2,823,147	2,861,514	2,988,749	2,479,650	2,668,736	1,898,993	1,696,911	1,599,422	1,534,676
Retirement of Unfunded Pension Liability	-	5,981,364	-	-	-	-	-	-	-	-
Capital Outlay	5,609,311	9,991,602	3,181,279	1,364,721	5,542,987	5,979,749	5,555,217	4,648,350	2,621,067	6,263,323
Total Expenditures	63,931,082	69,401,174	58,705,400	53,893,955	57,673,692	55,331,673	55,140,167	54,507,835	51,076,418	59,430,745
Excess of Revenues										
Over (Under) Expenditures	(9,516,736)	(14,339,292)	(4,805,238)	603,817	(4,347,982)	1,401,783	(3,625,707)	(745,231)	1,787,776	(8,361,749)
Other Financing Sources (Uses)										
Long Term Debt Issued	11,120,000	10,470,000	800,000	12,900,000	670,000	4,745,000	-	-	6,685,000	13,645,000
Premium on Long-Term Debt Issued	-	-	-	-	-	92,343	-	-	80,646	108,350
Refunding Debt Principal Payments	-	-	-	(1,440,000)	-	-	-	-	-	-
Retirement of Unfunded Pension Liability	-	(5,900,000)	-	-	-	-	-	-	-	-
Payment to Current Noteholder	-	(850,000)	-	(9,325,000)	-	-	-	-	(3,615,000)	(6,940,000)
Capital Leases	526,814	-	-	455,736	-	44,555	-	470,546	-	664,000
Sale of Capital Assets	114,535	-	-	29,374	214,900	-	28,656	227,609	483,412	1,102,587
Transfers In	4,932,217	10,201,805	4,231,206	4,290,426	3,462,970	5,235,118	4,760,545	6,791,285	4,428,951	5,242,639
Transfers Out	(4,065,355)	(5,108,563)	(2,496,922)	(3,124,814)	(2,127,934)	(3,924,738)	(3,368,858)	(5,360,641)	(4,294,871)	(4,657,858)
Total Other Financing Sources (Uses)	12,628,211	8,813,242	2,534,284	3,785,722	2,219,936	6,192,278	1,420,343	2,128,799	3,768,138	9,164,718
Net Change in Fund Balances	\$ 3,111,475	\$ (5,526,050)	\$ (2,270,954)	\$ 4,389,539	\$ (2,128,046)	\$ 7,594,061	\$ (2,205,364)	\$ 1,383,568	\$ 5,555,914	\$ 802,969
Debt Service as a Percentage of										
Non-Capital Outlay Expenditures	23.7%	14.6%	16.2%	16.8%	16.8%	16.8%	13.9%	13.4%	14.4%	11.8%

Data Source: City of Sheboygan Annual Financial Reports

CITY OF SHEBOYGAN, WISCONSIN
Table 5
General Governmental Expenditures by Function
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Human Services</u>	<u>Culture and Recreation</u>	<u>Conservation and Development</u>	<u>Other</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total Expenditures</u>									
2007	\$ 6,090,773	9.5%	\$ 20,578,950	32.2%	\$ 7,485,084	11.7%	\$ 447,057	0.7%	\$ 7,280,835	11.4%	\$ 2,350,997	3.7%	\$ 26,303	0.0%	\$ 14,061,772	22.0%	\$ 5,609,311	8.8%	\$ 63,931,082
2008	6,234,970	9.0%	19,750,569	28.5%	8,305,682	12.0%	407,003	0.6%	7,048,105	10.2%	2,643,509	3.8%	14,625	0.0%	15,005,109	21.6%	9,991,602	14.4%	69,401,174
2009	6,088,555	10.4%	20,441,353	34.8%	8,775,515	14.9%	702,021	1.2%	7,169,897	12.2%	3,250,971	5.5%	-	0.0%	9,095,809	15.5%	3,181,279	5.4%	58,705,400
2010	5,159,248	9.6%	20,575,797	38.2%	8,130,896	15.1%	394,006	0.7%	6,262,894	11.6%	3,149,784	5.8%	-	0.0%	8,856,609	16.4%	1,364,721	2.5%	53,893,955
2011	4,747,553	8.2%	20,392,386	35.4%	8,111,058	14.1%	370,949	0.6%	5,924,214	10.3%	3,854,765	6.7%	-	0.0%	8,729,780	15.1%	5,542,987	9.6%	57,673,692
2012	4,456,399	8.1%	19,776,946	35.7%	7,399,144	13.4%	275,459	0.5%	5,760,169	10.4%	2,422,061	4.4%	-	0.0%	9,261,746	16.7%	5,979,749	10.8%	55,331,673
2013	4,431,964	8.0%	20,553,971	37.3%	7,953,580	14.4%	340,304	0.6%	5,863,342	10.6%	3,011,655	5.5%	-	0.0%	7,430,134	13.5%	5,555,217	10.1%	55,140,167
2014	4,753,677	8.7%	21,367,246	39.2%	7,814,736	14.3%	302,082	0.6%	5,805,461	10.7%	2,867,851	5.3%	-	0.0%	6,948,432	12.7%	4,648,350	8.5%	54,507,835
2015	4,409,762	8.6%	21,063,504	41.2%	7,720,406	15.1%	234,405	0.5%	5,540,481	10.8%	2,737,786	5.4%	-	0.0%	6,749,007	13.2%	2,621,067	5.1%	51,076,418
2016	5,149,710	8.7%	22,485,711	37.8%	8,486,569	14.3%	233,901	0.4%	5,575,667	9.4%	4,559,225	7.7%	-	0.0%	6,676,639	11.2%	6,263,323	10.5%	59,430,745

Data Source:
City of Sheboygan Annual Financial Reports

CITY OF SHEBOYGAN, WISCONSIN
Table 6
General Governmental Revenues by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>		<u>Special Assessments</u>		<u>Intergovernmental</u>		<u>Licenses and Permits</u>		<u>Fines and Forfeitures</u>		<u>Public Charges for Services</u>		<u>Intergovernmental Charges for Services</u>		<u>Miscellaneous</u>		<u>Total Revenues</u>
2007	\$ 26,665,539	49.0%	\$ 364,290	0.7%	\$ 17,381,784	31.9%	\$ 1,286,752	2.4%	\$ 1,806,395	3.3%	\$ 1,690,460	3.1%	\$ 227,151	0.4%	\$ 4,991,975	9.2%	\$ 54,414,346
2008	27,296,803	49.6%	344,980	0.6%	17,890,271	32.5%	1,130,283	2.1%	2,043,330	3.7%	2,196,129	4.0%	219,764	0.4%	3,940,322	7.2%	55,061,882
2009	26,990,775	50.1%	407,400	0.8%	18,366,110	34.1%	1,118,548	2.1%	1,774,039	3.3%	2,489,582	4.6%	214,067	0.4%	2,539,641	4.7%	53,900,162
2010	27,788,931	51.0%	210,612	0.4%	18,272,517	33.5%	1,286,772	2.4%	1,710,250	3.1%	2,536,148	4.7%	247,733	0.5%	2,444,809	4.5%	54,497,772
2011	26,969,653	50.6%	185,639	0.3%	18,927,296	35.5%	1,408,946	2.6%	1,208,976	2.3%	2,282,986	4.3%	243,003	0.5%	2,099,211	3.9%	53,325,710
2012	26,433,662	46.6%	291,643	0.5%	20,726,417	36.5%	1,453,238	2.6%	1,357,149	2.4%	4,128,604	7.3%	233,382	0.4%	2,109,361	3.7%	56,733,456
2013	25,373,427	49.3%	307,802	0.6%	17,731,503	34.4%	1,317,384	2.6%	1,568,882	3.0%	3,789,661	7.4%	232,904	0.5%	1,192,897	2.3%	51,514,460
2014	25,979,122	48.3%	483,427	0.9%	16,229,810	30.2%	1,660,357	3.1%	1,616,499	3.0%	3,563,671	6.6%	221,402	0.4%	4,008,316	7.5%	53,762,604
2015	26,730,996	50.6%	257,859	0.5%	16,470,674	31.2%	1,886,566	3.6%	1,175,917	2.2%	3,713,333	7.0%	234,997	0.4%	2,393,852	4.5%	52,864,194
2016	26,233,311	51.4%	208,188	0.4%	15,833,146	31.0%	1,801,012	3.5%	1,041,267	2.0%	3,638,828	7.1%	227,937	0.4%	2,085,307	4.1%	51,068,996

Data Source:
City of Sheboygan Annual Financial Reports

CITY OF SHEBOYGAN, WISCONSIN

Table 7

Comparative Tax Levies for All Direct and
Overlapping Governments and Total Collections
Last Ten Fiscal Years

<u>Levy Year</u>	<u>Collection Year</u>	<u>State of Wisconsin</u>	<u>Sheboygan County</u>	<u>City of Sheboygan</u>	<u>Sheboygan Schools</u>	<u>Kohler Schools</u>	<u>LTC</u>	<u>Tax Incremental Districts</u>	<u>Gross Tax Levy</u>	<u>Total Collections</u>	<u>Percent Collected</u>
2007	2008	\$ 479,505	\$ 13,272,413	\$ 20,701,639	\$ 25,590,836	\$ 664,125	\$ 3,827,729	\$ 5,713,626	\$ 70,249,873	\$ 70,249,873	100.00%
2008	2009	488,771	12,963,376	20,950,018	24,763,787	957,641	3,918,838	5,227,474	69,269,905	69,269,905	100.00%
2009	2010	486,282	12,682,076	20,843,745	26,836,449	916,150	3,915,829	5,917,089	71,597,620	71,597,620	100.00%
2010	2011	459,951	12,824,858	21,184,245	27,732,475	1,000,282	3,919,068	5,139,868	72,260,747	72,260,747	100.00%
2011	2012	438,905	12,480,070	21,184,245	27,451,042	929,266	3,796,475	4,249,814	70,529,817	70,529,817	100.00%
2012	2013	420,263	12,510,127	21,384,245	26,451,078	1,070,256	3,814,940	2,795,965	68,446,874	68,444,066	100.00%
2013	2014	415,405	12,775,443	21,677,093	26,277,339	1,052,565	3,834,719	2,978,357	69,010,921	69,004,269	99.99%
2014	2015	420,038	12,873,736	21,677,093	27,373,900	1,097,271	1,828,142	3,572,018	68,842,198	68,834,607	99.99%
2015	2016	408,573	12,921,384	21,728,810	25,993,399	1,184,439	1,840,990	3,062,794	67,140,389	67,126,667	99.98%
2016	2017*	415,134	12,802,569	22,150,349	23,774,891	1,496,426	1,871,939	3,199,528	65,710,836	24,559,524	37.38%

* Collections to date are in process

Data Source:

Statement of taxes and Tax District Treasurer's Settlements

CITY OF SHEBOYGAN, WISCONSIN

Table 8
Property Valuations
Assessed Valuations
Last Ten Fiscal Years

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Manufacturing</u>	<u>Agricultural, Swamp & Forest</u>	<u>Other</u>	<u>Total Real Estate</u>	<u>Personal Property</u>	<u>Total Assessed</u>
2007	\$1,778,573,200	\$661,550,800	\$141,011,100	\$37,300	\$400	\$2,581,172,800	\$97,390,810	\$2,678,563,610
2008	1,794,278,100	682,958,500	140,812,000	42,100	400	2,618,091,100	93,911,480	2,712,002,580
2009	1,815,358,500	673,286,400	138,647,000	41,900	400	2,627,334,200	92,815,250	2,720,149,450
2010	1,815,800,600	665,474,500	143,191,100	43,900	400	2,624,510,500	88,191,290	2,712,701,790
2011	1,795,550,000	650,083,800	142,128,200	43,300	400	2,587,805,700	92,217,640	2,680,023,340
2012	1,782,914,100	652,973,000	150,309,000	43,700	100	2,586,239,900	104,952,820	2,691,192,720
2013	1,775,422,700	652,996,800	161,709,800	44,300	100	2,590,173,700	111,225,050	2,701,398,750
2014	1,523,132,000	633,126,800	141,649,900	40,700	100	2,297,949,500	99,829,340	2,397,778,840
2015	1,520,317,600	632,164,300	149,081,600	40,500	100	2,301,604,100	96,441,540	2,398,045,640
2016	1,521,114,200	671,761,200	147,841,700	41,100	100	2,340,758,300	97,163,820	2,437,922,120

Source: Statistical Report of Property Valuations

Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF SHEBOYGAN, WISCONSIN

Table 9

Assessed and Equalized Value of Taxable Property
Last Ten Fiscal Years

Levy Year	Collection Year	REAL PROPERTY		PERSONAL PROPERTY		TOTAL		Ratio of Assessed to Equalized Value	Computer Exemption Equalized Value
		Assessed Value	Equalized Value	Assessed Value	Equalized Value	Assessed Value	Equalized Value		
2007	2008	\$2,581,172,800	\$2,725,789,100	\$97,390,810	\$99,710,900	\$2,678,563,610	\$2,825,500,000	0.9484	\$18,945,921
2008	2009	2,618,091,100	2,763,444,900	93,911,480	116,658,700	2,712,002,580	2,880,103,600	0.9417	17,047,510
2009	2010	2,627,334,200	2,766,933,800	92,815,250	98,500,200	2,720,149,450	2,865,434,000	0.9492	13,915,642
2010	2011	2,624,510,500	2,617,856,800	88,191,290	92,428,100	2,712,701,790	2,710,284,900	1.0001	15,290,394
2011	2012	2,587,805,700	2,499,443,800	92,217,640	86,820,500	2,680,023,340	2,586,264,300	1.0363	16,171,149
2012	2013	2,586,239,900	2,376,332,800	104,952,820	100,083,000	2,691,192,720	2,476,415,800	1.0867	15,576,708
2013	2014	2,590,173,700	2,338,932,200	111,225,050	108,862,000	2,701,398,750	2,447,794,200	1.0679	15,609,007
2014	2015	2,297,949,500	2,373,772,400	99,829,340	101,322,600	2,397,778,840	2,475,095,000	0.9691	14,743,031
2015	2016	2,301,604,100	2,309,391,900	96,441,540	98,140,100	2,398,045,640	2,407,532,000	0.9956	14,622,801
2016	2017	2,340,758,300	2,348,933,000	97,163,820	97,260,900	2,437,922,120	2,446,193,900	0.9966	19,904,206

CITY OF SHEBOYGAN, WISCONSIN

Table 10
 Comparative Tax Rates for All Direct and Overlapping Governments
 Per \$1,000 of Assessed Value
 Last Ten Fiscal Years

Properties within the Sheboygan Area School District

Levy Year	Collection Year	State of Wisconsin	Sheboygan County	City of Sheboygan	Sheboygan Schools	LTC	Total	School State Credit	Net Tax Rate	Assessed Valuation
2007	2008	\$0.1790	\$5.3969	\$8.4178	\$10.6750	\$1.5564	\$26.2251	\$1.6818	\$24.5433	\$ 2,567,528,330
2008	2009	0.1802	5.1727	8.3596	10.2468	1.5637	25.5230	1.8013	23.7217	2,602,618,560
2009	2010	0.1788	5.0863	8.3596	11.1628	1.5705	26.3580	1.7330	24.6250	2,609,553,230
2010	2011	0.1696	5.0925	8.4118	11.4205	1.5562	26.6506	1.7004	24.9502	2,602,126,910
2011	2012	0.1638	4.9584	8.4167	11.3060	1.5084	26.3533	1.6927	24.6606	2,569,068,350
2012	2013	0.1562	4.8475	8.2861	10.7021	1.4782	25.4701	1.6942	23.7759	2,582,032,930
2013	2014	0.1538	4.9435	8.3879	10.6231	1.4838	25.5921	1.6690	23.9231	2,590,682,750
2014	2015	0.1752	5.6641	9.5374	12.6487	0.8043	28.8297	1.8493	26.9804	2,288,493,860
2015	2016	0.1704	5.6469	9.4958	11.9467	0.8045	28.0643	2.0965	25.9678	2,285,576,950
2016	2017	0.1703	5.5215	9.5531	10.9473	0.8073	26.9995	2.0256	24.9739	2,291,016,700

Properties within the Kohler School District

Levy Year	Collection Year	State of Wisconsin	Sheboygan County	City of Sheboygan	Kohler Schools	LTC	Total	School State Credit	Net Tax Rate	Assessed Valuation
2007	2008	\$0.1790	\$5.3969	\$8.4178	\$10.7121	\$1.5564	\$26.2622	\$1.6818	\$24.5804	\$ 111,035,280
2008	2009	0.1802	5.1727	8.3596	10.7170	1.5637	25.9932	1.8013	24.1919	109,384,020
2009	2010	0.1788	5.0863	8.3596	10.2591	1.5705	25.4543	1.7330	23.7213	110,596,220
2010	2011	0.1696	5.0925	8.4118	11.1108	1.5562	26.3409	1.7004	24.6405	110,574,880
2011	2012	0.1638	4.9584	8.4167	10.4384	1.5084	25.4857	1.6927	23.7930	110,860,990
2012	2013	0.1562	4.8475	8.2861	9.8045	1.4782	24.5725	1.6942	22.8783	109,159,790
2013	2014	0.1538	4.9435	8.3879	9.1521	1.8385	24.4758	1.6690	22.8068	110,716,000
2014	2015	0.1752	5.6641	9.5374	10.0405	0.8043	26.2215	1.8493	24.3722	109,284,980
2015	2016	0.1704	5.6469	9.4958	10.5313	0.8045	26.6489	2.0965	24.5524	112,468,690
2016	2017	0.1703	5.5215	9.5531	10.1863	0.8073	26.2385	2.0256	24.2129	146,905,420

Source: Tax Levy from Direct and Overlapping Governments: Tax Increment Calculation Worksheet; and Tax Rate Calculations certified to tax roll

CITY OF SHEBOYGAN, WISCONSIN

Table 11

Comparative Tax Rates for All Direct and Overlapping Governments
Per \$1,000 of Equalized Value
Last Ten Fiscal Years

Properties within the Sheboygan Area School District

<u>Levy Year</u>	<u>Collection Year</u>	<u>State of Wisconsin</u>	<u>Sheboygan County</u>	<u>City of Sheboygan</u>	<u>Sheboygan Schools</u>	<u>LTC</u>	<u>Total</u>	<u>School State Credit</u>	<u>Net Tax Rate</u>	<u>Equalized Valuation</u>
2007	2008	\$0.1698	\$5.1184	\$7.9834	\$10.1242	\$1.4761	\$24.8719	\$1.5950	\$23.2769	\$ 2,567,528,330
2008	2009	0.1697	4.8711	7.8722	9.6494	1.4725	24.0350	1.6963	22.3387	2,602,618,560
2009	2010	0.1697	4.8279	7.9349	10.5957	1.4907	25.0190	1.6450	23.3741	2,609,553,230
2010	2011	0.1696	5.0930	8.4126	11.4216	1.5564	26.6533	1.7006	24.9527	2,602,126,910
2011	2012	0.1697	5.1384	8.7222	11.7164	1.5632	27.3099	1.7541	25.5558	2,569,068,350
2012	2013	0.1697	5.2678	9.0045	11.6300	1.6064	27.6784	1.8411	25.8373	2,375,969,208
2013	2014	0.1642	5.2792	8.9574	11.3444	1.5846	27.3298	1.7823	25.5475	2,347,764,504
2014	2015	0.1698	5.4891	9.2427	12.2579	0.7794	27.9389	1.7922	26.1467	2,373,657,055
2015	2016	0.1697	5.6221	9.4540	11.8941	0.8010	27.9408	2.0873	25.8535	2,294,582,853
2016	2017	0.1697	5.5028	9.5206	10.9100	0.8046	26.9077	2.0187	24.8890	2,299,016,541

Properties within the Kohler School District

<u>Levy Year</u>	<u>Collection Year</u>	<u>State of Wisconsin</u>	<u>Sheboygan County</u>	<u>City of Sheboygan</u>	<u>Kohler Schools</u>	<u>LTC</u>	<u>Total</u>	<u>School State Credit</u>	<u>Net Tax Rate</u>	<u>Equalized Valuation</u>
2007	2008	\$0.1698	\$5.1184	\$7.9834	\$10.1594	\$1.4761	\$24.9071	\$1.5950	\$23.3121	\$ 111,035,280
2008	2009	0.1697	4.8711	7.8722	10.0922	1.4725	24.4778	1.6963	22.7815	109,384,020
2009	2010	0.1697	4.8279	7.9349	9.7379	1.4907	24.1612	1.6450	22.5163	110,596,220
2010	2011	0.1696	5.0930	8.4126	11.1119	1.5564	26.3435	1.7006	24.6430	110,574,880
2011	2012	0.1697	5.1384	8.7222	10.8173	1.5632	26.4108	1.7541	24.6567	110,860,990
2012	2013	0.1697	5.2678	9.0045	10.6546	1.6064	26.7029	1.8411	24.8618	100,446,592
2013	2014	0.1642	5.2792	8.9574	9.7735	1.5846	25.7589	1.7823	23.9766	100,029,696
2014	2015	0.1698	5.4891	9.2427	9.7302	0.7794	25.4113	1.7922	23.6191	101,437,945
2015	2016	0.1697	5.6221	9.4540	10.4850	0.8010	26.5316	2.0873	24.4444	112,949,147
2016	2017	0.1697	5.5028	9.5206	10.1517	0.8046	26.1493	2.0187	24.1306	147,177,359

Source: Tax Levy from Direct and Overlapping Governments: Tax Increment Calculation Worksheet; and Tax Rate Calculations certified to tax roll

CITY OF SHEBOYGAN, WISCONSIN
Table 12
Ratio of Net General Obligation Debt to Equalized Value
Last Ten Fiscal Years

<u>As of</u> <u>December 31</u>	<u>Total G.O.</u> <u>Debt</u> <u>Outstanding</u>	<u>Less: Funds</u> <u>Available for</u> <u>Debt Service</u>	<u>Net Debt</u> <u>Outstanding</u>	<u>Equalized</u> <u>Value</u>	<u>Statutory Debt</u> <u>Capacity (5%</u> <u>of Equalized</u> <u>Value)</u>	<u>Ratio of Net</u> <u>Debt to Debt</u> <u>Capacity</u>	<u>Population</u>	<u>Net Debt</u> <u>Per</u> <u>Capita</u>	<u>Net Debt</u> <u>Per \$1,000</u> <u>of Equalized</u> <u>Value</u>
2007	\$58,324,463	\$1,603,449	\$56,721,014	\$2,825,500,000	\$141,275,000	40.15%	50,600	\$1,121	20.07%
2008	61,743,862	909,559	60,834,303	2,880,103,600	144,005,180	42.24%	50,580	1,203	21.12%
2009	56,376,126	1,397,537	54,978,589	2,865,434,000	143,271,700	38.37%	50,400	1,091	19.19%
2010	52,713,129	6,082,644	46,630,485	2,710,284,900	135,514,245	34.41%	49,288	946	17.21%
2011	47,241,852	6,857,907	40,383,945	2,586,264,300	129,313,215	31.23%	49,230	820	15.61%
2012	45,507,184	7,579,122	37,928,062	2,476,415,800	123,820,790	30.63%	49,110	772	15.32%
2013	40,094,063	7,728,872	32,365,191	2,447,794,200	122,389,710	26.44%	48,965	661	13.22%
2014	34,965,437	7,033,064	27,932,373	2,475,095,000	123,754,750	22.57%	48,897	571	11.29%
2015	33,075,255	10,364,975	22,710,280	2,407,532,000	120,376,600	18.87%	48,806	465	9.43%
2016	34,834,531	9,926,651	24,907,880	2,446,193,900	122,309,695	20.36%	48,653	512	10.18%

Data Source:

City of Sheboygan Annual Financial Reports
State of Wisconsin Department of Administration, Demographic Service Center
State of Wisconsin Department of Revenue, Bureau of Property Tax

Note:

Equalized value is used instead of assessed value due to the fact that the statutory debt capacity in Wisconsin is based on equalized value.

CITY OF SHEBOYGAN, WISCONSIN

Table 13

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	GOVERNMENTAL ACTIVITIES							BUSINESS-TYPE ACTIVITIES			Total	Population	Net Debt Per Capita	Per Capital Personal Income*	Percentage of Personal Income
	General Obligation Debt	Bond Premium	Bond Discount	Mortgage Notes	Capital Lease	Other	Revenue Bonds	General Obligation Debt	Bond Premium	Alliant Energy Notes					
2007	\$ 58,324,463	\$ 12,614	\$ -	\$ 225,000	\$ 526,814	\$ 1,000,000	\$ 15,189,287	\$ -	\$ 3,641	\$ 133,132	\$ 75,414,951	50,600	\$ 1,490	N/A	N/A
2008	61,743,862	7,030	-	225,000	526,814	1,000,000	14,297,457	-	3,444	86,989	77,890,596	50,580	1,540	N/A	N/A
2009	56,081,030	2,207	-	225,000	460,255	1,000,000	13,323,629	295,096	3,247	73,128	71,463,592	50,400	1,418	N/A	N/A
2010	52,427,589	-	-	225,000	846,130	1,000,000	14,430,308	285,540	3,050	1,225,484	70,443,101	49,288	1,429	\$ 42,708	3.35%
2011	46,966,441	-	-	225,000	737,277	1,000,000	14,080,502	275,411	2,854	987,694	64,275,179	49,230	1,306	43,203	3.02%
2012	45,242,466	86,865	(87,111)	225,000	623,935	1,000,000	12,936,655	264,718	2,657	745,105	61,040,290	49,110	1,243	42,549	2.92%
2013	39,840,723	77,474	(80,268)	225,000	505,915	1,000,000	17,498,222	253,340	14,542	497,619	59,832,567	48,965	1,222	43,533	2.81%
2014	34,724,159	68,083	(73,425)	225,000	853,566	1,000,000	21,107,993	241,278	13,720	249,760	58,410,134	48,897	1,195	43,107	2.77%
2015	32,846,762	135,672	(66,582)	225,000	664,163	1,000,000	21,077,578	228,493	12,899	-	56,123,985	48,806	1,150	43,381	2.65%
2016	34,619,553	218,453	(59,739)	225,000	1,131,924	1,000,000	21,161,644	214,978	45,786	-	58,557,599	48,653	1,204	43,381	2.77%

Data Source:

City of Sheboygan Annual Financial Reports
 State of Wisconsin Department of Administration, Demographic Service Center
 State of Wisconsin Department of Revenue, Bureau of Property Tax
 * U. S. Census Bureau, American Community Survey 2010 - 2015, Prior data not available

CITY OF SHEBOYGAN, WISCONSIN

Table 14

Computation of Overlapping Debt

December 31, 2016

	Number of Taxing Entities	Net of Trust Funds	Applicable to City	Overlapping Debt
Total Governmental General Obligation Debt				
City of Sheboygan		\$ 34,778,267	100.00%	\$ 34,778,267
OVERLAPPING DEBT:				
Sheboygan Area School District	1	\$ 28,428,000	66.11%	\$ 18,793,751
Kohler School District	1	4,915,000	25.91%	1,273,477
Lakeshore Technical College	1	22,240,000	16.83%	3,742,992
Sheboygan County	1	26,785,000	27.94%	7,483,729
Total Overlapping Debt		\$ 82,368,000		\$ 31,293,948
Total Direct General Obligation and Overlapping Debt		\$ 117,146,267		\$ 66,072,215

Source: Respective Municipalities

CITY OF SHEBOYGAN, WISCONSIN

Table 15
Computation of Legal Debt Margin
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Equalized Value										
submit to Debt	\$2,825,500	\$2,880,104	\$2,865,434	\$2,710,285	\$2,586,264	\$2,476,416	\$2,447,794	\$2,475,095	\$2,407,532	\$2,446,194
Legal Debt Limit (5%)	141,275	144,005	143,272	135,514	129,313	123,821	122,390	123,755	120,377	122,310
<hr/>										
Amount of Debt applicable to Limitation										
General Obligation Bonds:										
Governmental	34,095	31,485	29,000	36,665	33,855	30,875	28,345	25,780	23,275	16,195
General Obligation Notes:										
Governmental	24,229	30,259	27,376	16,048	13,387	14,633	11,749	9,185	9,800	18,640
Total General Obligation Debt	58,324	61,744	56,376	52,713	47,242	45,508	40,094	34,965	33,075	34,835
<hr/>										
Amount Available for financing general obligation debt										
Debt Service Fund Reserves	1,603	910	1,398	6,083	6,858	7,579	7,729	7,033	10,365	9,927
Net Outstanding GO Debt										
Applicable to Debt Limitation	56,721	60,834	54,978	46,630	40,384	37,929	32,365	27,932	22,710	24,908
<hr/>										
Percent of Debt to Legal Limit	40.15%	42.24%	38.37%	34.41%	31.23%	30.63%	26.44%	22.57%	18.87%	20.36%
Legal Margin for New Debt	84,554	83,171	88,294	88,884	88,929	85,892	90,025	95,823	97,667	97,402
Percentage of legal margin remaining	60%	58%	62%	66%	69%	69%	74%	77%	81%	80%
Governmental Percent	60%	58%	62%	66%	69%	69%	74%	77%	81%	80%
Population	50,600	50,580	50,400	49,288	49,230	49,110	48,965	48,806	48,806	48,653
Per Capita Debt	\$1,152.65	\$1,220.72	\$1,118.57	\$1,069.49	\$959.62	\$926.65	\$818.83	\$716.41	\$677.68	\$715.99

All dollar amounts are represented in thousands except Per Capita Debt

Wisconsin State Statute 67.03 limits total debt be no greater than 5 percent of the equalized real property of the City.

CITY OF SHEBOYGAN, WISCONSIN

Table 16
Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	Net Revenue	Debt Service Requirement (3)			<u>Coverage</u>
			<u>Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$15,887,042	\$9,726,466	\$6,160,576	\$1,488,107	\$582,352	\$2,070,459	297.55%
2015	15,272,630	9,242,550	6,030,080	1,672,214	621,635	2,293,849	262.88%
2014	15,298,362	9,763,240	5,535,122	1,293,418	580,216	1,873,634	295.42%
2013	14,602,721	8,284,188	6,318,533	1,180,805	430,992	1,611,797	392.02%
2012	14,801,829	8,012,182	6,789,647	1,143,846	471,198	1,615,044	420.40%
2011	14,457,633	8,654,944	5,802,689	1,067,956	492,245	1,560,201	371.92%
2010	13,314,362	8,624,057	4,690,305	1,006,347	476,844	1,483,191	316.23%
2009	12,155,804	8,958,047	3,197,757	973,828	510,037	1,483,865	215.50%
2008	13,111,456	9,026,464	4,084,992	891,830	541,139	1,432,969	285.07%
2007	12,655,169	8,536,092	4,119,077	865,337	392,272	1,257,609	327.53%

- Notes:
- (1) Total operating revenues plus interest on investments and intergovernmental nonoperating revenues
 - (2) Total operating expenses less depreciation
 - (3) Includes interest and principal on revenue bonds issued for water and wastewater

CITY OF SHEBOYGAN, WISCONSIN

Table 17

Principal Taxpayers Current Year and Nine Years Ago
Ten Largest Taxpayers - 2016

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Equalized Value</u>	<u>Net Taxes Paid</u>	<u>Percent of Total Taxes Levied</u>
Acuity Mutual Insurance Co	Insurance	\$77,388,090	\$1,874,095	2.85%
Aurora Medical Group/Sheboygan Clinic	Medical Clinic	21,992,410	549,071	0.84%
Nemak (formerly J. L. French Corporation)	Aluminum die castings	18,401,800	466,607	0.71%
Sheboygan Acquisitions LLC	Hospitality resort (Blue Harbor)	16,307,530	420,708	0.64%
Plastics Engineering Co	Manufacturer of phenolid epoxy	15,533,300	387,635	0.59%
PJR Properties LLC	Nonresidential building operators	14,732,000	367,551	0.56%
American Orthodontics	Manufacturer of orthodontic appliances	14,278,200	356,290	0.54%
Wal-Mart	Department and grocery store	14,518,980	351,480	0.53%
Country Village Apartments	Real Estate	13,956,660	348,333	0.53%
St. Nicholas Hospital	Hospital/surgery facilities	12,736,510	317,716	0.48%
	Total for Ten Largest Taxpayers	\$219,845,480	\$5,439,486	8.28%

Ten Largest Taxpayers - 2007

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Equalized Value</u>	<u>Net Taxes Paid</u>	<u>Percent of Total Taxes Levied</u>
Acuity Mutual Insurance Co	Insurance	\$50,378,560	\$1,238,310	1.76%
Blue Harbor Resort Sheboygan LLC	Hotel/Convention Center	38,474,360	944,291	1.34%
Aurora Medical Group/Sheboygan Clinic	Medical Clinic	21,077,290	517,308	0.74%
Wal-Mart	Retail	19,115,010	469,821	0.67%
JFM1 LLC	Real Estate	16,221,400	398,128	0.57%
Plastics Engineering Co	Manufacturer of phenolid epoxy	16,207,500	397,787	0.57%
Fresh Brands Distributing, Inc	Wholesale/Retail Grocer	14,452,480	354,713	0.50%
J.L.French Corp	Aluminum die castings	14,228,700	349,228	0.50%
Country Village Apartments	Real Estate	14,159,710	347,527	0.49%
Development 3000 LLC	Real Estate	9,068,900	222,581	0.32%
	Total for Ten Largest Taxpayers	\$213,383,910	\$5,239,694	7.46%

CITY OF SHEBOYGAN, WISCONSIN

Table 18

Principal Employers Current Year and Nine Years Ago
Ten Largest Employers - 2016

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees Full Time</u>
Aurora Medical Group/ Aurora Health Care	Sheboygan Memorial Medical Center and Sheboygan Clinic	1375
Nemak	Aluminum die castings	1259
Sheboygan Area School District	Education	1257
Acuity Mutual Insurance Co	Insurance	1255
Rockline Industries Inc	Manufacturer	859
Sheboygan County	County employees	833
The Vollrath Company	Manufacturer	527
American Orthodontics	Manufacturer	502
Piggly Wiggly Midwest LLC	Wholesale/retail grocers	500
City of Sheboygan	Government	492
St. Nicholas Hospital	Hospital/surgery/facilities	488

Ten Largest Employers - 2007

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees Full Time</u>
Sheboygan Area School District	Education	1535
J.L.French Corp	Aluminum die castings	1086
Sheboygan Clinic	Medical Clinic	1000
Acuity Mutual Insurance Co	Insurance	850
Sheboygan Memorial Medical Center	Hospital	830
Sheboygan County	County employees	903
Rockline Industries	Manufacturer	725
St. Nicholas Hospital	Hospital	650
Fresh Brands Distributing Inc	Wholesale/retail grocers	500
City of Sheboygan	Government	484

CITY OF SHEBOYGAN, WISCONSIN

Table 19
Demographics

Area- Square Miles

2016	14.81
2015	14.81
2014	14.71
2013	14.53
2012	14.52
2011	14.46
2010	14.19
2009	14.19
2008	14.19
2007	14.19
2006	14.19

Age (2010)

Under 5 years	7.30%
5 to 9 years	6.80%
10 to 14 years	6.50%
15 to 19 years	6.70%
20 to 24 years	6.30%
25 to 29 years	7.40%
30 to 34 years	6.70%
40 to 44 years	6.60%
45 to 49 years	7.40%
50 to 54 years	6.90%
55 to 59 years	5.90%
60 to 64 years	4.90%
65 to 69 years	3.70%
70 to 74 years	2.90%
75 to 79 years	2.70%
80 to 84 years	2.60%
85 years and older	2.60%

Race (2010 Census)

White	82.60%
Black or African American	1.90%
American Indian	0.50%
Asian	8.80%
Other Asian	2.50%
Some other race	3.70%

Major Employers (2016)

Aurora Medical Group	1,375
Nemak	1,259
Sheboygan Area School District	1,257
Acuity Mutual Insurance	1,255
Rockline Industries	859
Sheboygan County	833
The Vollrath Company	527
American Orthodontics	502
Piggly Wiggly Midwest LLC	500
City of Sheboygan	492
St. Nicholas Hospital	488

Population

2016	48,653
2015	50,650
2014	50,600
2013	50,580
2012	50,400
2011	49,288
2010	49,230
2009	49,110
2008	48,965
2007	48,897
2006	48,806

Housing Units (2016)

Total Dwelling Units	18,932
Single Family	12,770
Two Family	4,764
Three Family	183
Condominiums	744
Apartment Units	471

Building Permits

Year	Number	Value in Millions
2016	3323	114.4
2015	3331	144.0
2014	3238	273.3
2013	3384	28.5
2012	3288	45.9
2011	3235	55.1
2010	3166	29.1
2009	3216	34.3

Water/Wastewater (2016)

Active Accounts Served	18,857
Water Treated/Distrib.	4,587,384,000
Miles of Sanitary Sewers	171
Miles of Water Main	206

Largest Property Taxpayers (2016)

	Assessed Value
Acuity Mutual Insurance	\$ 77,388,090
Aurora Medical Group	\$ 21,992,410
Nemak	\$ 18,401,800
Sheboygan Acquisitions LLC	\$ 16,307,530
Plastics Engineering Co.	\$ 15,533,300
PJR Properties LLC	\$ 14,732,000
American Orthodontics	\$ 14,278,200
Wal-Mart	\$ 14,518,980
Country Village Apartments	\$ 13,956,660
St. Nicholas Hospital	\$ 12,736,510

Employment Trends

Year	Employment	Unemployment Rate
2016	60,905	3.7
2015	59,614	3.8
2014	57,860	5.2
2013	54,490	7.5
2012	54,420	8.4
2011	55,730	10.3

Parks

Year	Developed Parks	Acres Maintained
2016	38	614.04
2015	38	614.04
2014	38	614.04
2013	36	557.25
2012	36	557.25
2011	36	557.25
2010	36	557.25
2009	35	522.35

Infrastructure

Miles of State Highway System	17
Miles of County Highway System	17
Miles of Local Roads & Streets	196
Miles of Sidewalks	375
Number of City-owned Street Lights	2500

Elections (2016)

Registered Voters	Turn-Out	Percent
November 24,724	21,329	86.27%

Public Safety- Police

Number of Sworn Officers	
2016	82
2015	81
2014	81
2013	81
2012	81
2011	81
2010	78
2009	81

Number of Police Stations	1
Number of Fire Stations	5
ISO Rating	2

Public Safety- Firefighter

Number of Sworn Officers	
2016	72
2015	69
2014	72
2013	72
2012	72
2011	72
2010	76
2009	76

School Registration (2015-2016)

Elementary Schools	4,726
Middle Schools	2,597
High Schools	3,056

Education Attainment (2010)

(Population 25 years and older)	
High School Graduate	39.90%
Associates Degree	5.90%
Bachelor's Degree	11.00%
Graduate or Professional Degree	4.80%

CITY OF SHEBOYGAN, WISCONSIN

Table 20

Authorized Permanent Positions

Last Ten Calendar Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
GENERAL FUND										
General Government	30.00	30.00	30.00	30.00	30.00	25.00	25.00	24.75	24.75	22.81
Public Safety	198.90	189.40	190.40	186.40	189.40	186.40	185.40	190.90	192.40	179.40
Public Works	94.00	94.00	94.00	94.00	94.00	60.00	60.00	59.00	58.00	59.00
Culture and Recreation	37.00	37.00	37.00	37.00	37.00	23.00	23.00	22.28	22.28	22.28
Development and Conservation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total General Fund	363.90	354.40	355.40	351.40	354.40	298.40	297.40	300.93	301.43	287.49
Mead Public Library	39.00	39.00	39.00	39.00	39.00	39.00	38.00	36.63	34.44	38.50
Municipal Court	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.13	2.23
Ambulance	N/A	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Cable Television Division	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Transit Utility	58.00	58.00	58.00	58.00	58.00	56.00	56.00	55.45	55.45	51.45
Parking Utility	3.00	3.00	3.00	3.00	3.00	3.00	2.30	2.30	2.30	2.30
Water Utility*	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	30.00	30.00
Wastewater Utility	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Information Technology Department	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Motor Vehicle Fund	9.00	9.00	9.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00
	528.40	522.90	523.90	518.90	521.90	462.90	460.20	461.81	458.75	444.97

*Approval authorized by Board of Water Commissioners

CITY OF SHEBOYGAN, WISCONSIN
Table 21
Operating Indicators by Function / Program
Last Ten Calendar Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police										
Arrests	9,943	10,062	8,503	8,552	7,600	7,677	10,306	7,046	5,998	6,118
Parking citations	N/A	N/A	8,993	7,517	6,616	8,164	12,898	10,991	8,745	9,842
Fire										
Total fire calls	2,965	3,675	3,551	3,751	3,865	4,503	5,011	5,026	5,034	5,007
EMS calls	N/A	2,390	2,215	2,218	2,548	3,005	3,318	3,310	3,316	3,506
Building Inspection										
Permits issued	2,160	2,028	2,160	3,166	3,145	3,288	3,384	3,238	3,331	3,323
Public Works										
Refuse curbside collection (tons)	13,302	13,208	12,715	12,925	12,454	12,287	11,984	12,144	12,510	8,218
Recycling curbside collection (tons)	3,160	2,941	2,777	3,049	3,310	3,297	3,398	3,547	3,232	2,002
Municipal Court										
Cases	10,282	8,043	6,321	7,240	7,042	7,173	6,905	6,008	5,732	33,556
Mead Library										
Annual visits	303,833	336,090	358,267	356,491	345,852	338,399	316,764	308,293	316,162	335,999
Material checkout	795,453	819,127	903,265	897,531	841,853	757,380	711,743	648,034	604,841	570,709
Digital content checkout	24	23	42	148	3,435	14,895	22,375	38,634	50,425	69,802
Shoreline Metro										
Fixed route passengers	532,835	531,714	457,183	440,780	468,361	475,173	520,860	538,802	537,765	527,775
Paratransit passengers	67,703	70,362	65,708	64,259	56,737	47,565	41,892	37,062	35,492	34,317
Water and Wastewater Utility										
Active accounts	19,302	19,283	19,053	19,088	19,028	19,003	18,974	18,833	18,797	18,857

* Information is not available

CITY OF SHEBOYGAN, WISCONSIN
Table 22
Capital Asset Statistics by Function/Program
Last Ten Calendar Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function/Program										
General Government:										
City Hall	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police Facility	N/A	1	1	1	1	1	1	1	1	1
Fire Stations	5	5	5	5	5	5	5	5	5	5
Patrol Units	46	46	46	46	46	46	46	46	46	46
Fire Engines	13	13	13	13	13	13	13	13	13	13
Ambulances	N/A	4	4	4	4	4	4	4	4	4
Public Works:										
Office and Maintenance Shop	1	1	1	1	1	1	1	1	1	1
Bridges	16	16	16	16	16	16	16	16	16	16
Salt storage shed	1	1	1	1	1	1	1	1	1	1
Signalized Intersections	39	39	39	39	39	39	39	39	39	39
Health and Human Services										
Wildwood Cemetery	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks	36	36	36	36	36	36	36	36	36	36
Park Shelters	18	18	18	18	18	18	18	18	18	18
Maywood Environmental Park	1	1	1	1	1	1	1	1	1	1
Mead Public Library	1	1	1	1	1	1	1	1	1	1
Senior Activity Center	1	1	1	1	1	1	1	1	1	1
Enterprise:										
Wastewater Plant	1	1	1	1	1	1	1	1	1	1
Water Utility Plant	1	1	1	1	1	1	1	1	1	1
Transit Facility	1	1	1	1	1	1	1	1	1	1
Boat Facilities Docks	123	123	123	123	123	123	123	123	123	123
Parking Lots	22	22	22	22	22	22	22	22	22	22

**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**

To Mayor Michael Vandersteen and the Common Council
City of Sheboygan, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Sheboygan, Wisconsin's basic financial statements, and have issued our report thereon dated May 2, 2017. Our report includes a reference to other auditors who audited the financial statements of the Water Utility Enterprise Fund, as described in our report on the City of Sheboygan, Wisconsin's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Harbor Centre Business Improvement District were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sheboygan, Wisconsin's internal control over financial reporting (internal control) to determine the 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 of Sheboygan, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sheboygan, Wisconsin'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sheboygan, Wisconsin'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 determination of financial statement amounts. 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*.

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 City of Sheboygan, Wisconsin'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 of Sheboygan, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.

Schenck SL

Certified Public Accountants
Sheboygan, Wisconsin
May 2, 2017

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES**

To Mayor Michael Vandersteen and the Common Council
City of Sheboygan, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the City of Sheboygan, Wisconsin's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the City of Sheboygan, Wisconsin's major federal and state programs for the year ended December 31, 2016. The City of Sheboygan, Wisconsin's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Sheboygan, Wisconsin's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City of Sheboygan, Wisconsin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of Sheboygan, Wisconsin's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Sheboygan, Wisconsin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of City of Sheboygan, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sheboygan, Wisconsin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sheboygan, Wisconsin's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Schende SC

Certified Public Accountants
Sheboygan, Wisconsin
May 2, 2017

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Grantor Agency/Federal Program Title	Federal CFDA Number	Pass-through Agency
--------------------------------------	---------------------------	---------------------

FEDERAL PROGRAMS

U.S. DEPARTMENT OF COMMERCE

Costal zone Management Administration Awards	11.419	WI Department of Administration
--	--------	---------------------------------

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant Entitlement Grants Cluster

Community Development Block Grant	14.218	Direct Program
-----------------------------------	--------	----------------

Community Development Block Grant - program income	14.218	Direct Program
--	--------	----------------

Total <i>Community Development Block Grant Entitlement Grants Cluster</i>		
---	--	--

Community Development Block Grants / State's program	14.228	WI Department of Administration
--	--------	---------------------------------

Small Cities Program

Lead Based Paint Hazard Control - program income	14.900	Direct Program
--	--------	----------------

Total U.S. Department of Housing and Urban Development		
--	--	--

U.S. DEPARTMENT OF TRANSPORTATION

Federal Transit Cluster

Federal Transit Formula Grants	20.507	WI Department of Transportation
--------------------------------	--------	---------------------------------

NATIONAL ENDOWMENT FOR THE ARTS

Promotion of the Arts - Grants to Organizations and Individuals	45.024	Arts Midwest
---	--------	--------------

NATIONAL ENDOWMENT FOR THE HUMANITIES

Common Heritage	45.149	Direct Program
-----------------	--------	----------------

INSTITUTE OF MUSEUMS AND LIBRARY SERVICES

Grants to States	45.310	Eastern Shores Library System
------------------	--------	-------------------------------

U.S. ENVIRONMENTAL PROTECTION AGENCY

Great Lakes Program

King and Deland Park Infrastructure	66.469	Direct
-------------------------------------	--------	--------

River Habitat Restoration	66.469	WI Department of Natural Resources
---------------------------	--------	------------------------------------

Total U.S. Environmental Protection Agency		
--	--	--

U.S. DEPARTMENT OF ENERGY

State Energy Program	81.041	Public Service Commission of WI
----------------------	--------	---------------------------------

Planning and Implementing Clean Energy Investments		
--	--	--

TOTAL EXPENDITURES OF FEDERAL AWARDS

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 1/1/16	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/16	Total Expenditures	Subrecipient Payments
159982-016.30	\$ (4,396)	\$ 25,960	\$ -	\$ 21,564	\$ -
N/A	(287,051)	378,222	395,313	486,484	-
N/A	-	646,817	-	646,817	-
	(287,051)	1,025,039	395,313	1,133,301	-
EAP-DR-MW 15-01	(195,687)	195,687	-	-	-
N/A	-	91,246	-	91,246	-
	(482,738)	1,311,972	395,313	1,224,547	-
WI201602701	-	1,223,238	-	1,223,238	-
00017817	-	10,400	2,600	13,000	-
N/A	-	10,613	-	10,613	-
16-59-9927-16-169	-	700	-	700	-
N/A	(8,204)	-	217,636	209,432	-
Unknown	(13,898)	66,632	52,099	104,833	-
	(22,102)	66,632	269,735	314,265	-
Unknown	-	75,000	-	75,000	-
	\$ (509,236)	\$ 2,724,515	\$ 667,648	\$ 2,882,927	\$ -

CITY OF SHEBOYGAN, WISCONSIN
Schedule of State Financial Assistance
For the Year Ended December 31, 2016

Grantor Agency/State Program Title	State I.D. Number	Pass-through Agency
STATE PROGRAMS		
<u>DEPARTMENT OF NATURAL RESOURCES</u>		
Urban Forestry Grants	370.544	Direct Program
Aquatic Invasive Species	370.678	Direct Program
Total Department of Natural Resources		
<u>DEPARTMENT OF TRANSPORTATION</u>		
Elderly and Disabled Transportation	395.101	Sheboygan County
Transit Operating Aid - 2014	395.104	Direct Program
Transit Operating Aid - 2015	395.104	Direct Program
Transit Operating Aid - 2016	395.104	Direct Program
Paratransit Aids - 2016	395.104	Direct Program
Total Transit Operating Aids		
Total Department of Transportation		
<u>DEPARTMENT OF HEALTH SERVICES</u>		
EMS-FAP Grant	435.167	Direct Program
<u>DEPARTMENT OF JUSTICE</u>		
Drug Crimes Enforcement	455.225	Direct Program
Beat Patrol Grant	505.603	Direct Program
Total Department of Justice		
TOTAL STATE FINANCIAL ASSISTANCE		

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

State Identifying Number	(Accrued) Deferred Revenue 1/1/16	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/16	Total Expenditures
UF-1217-15 F	\$ -	\$ -	\$ 21,900	\$ 21,900
AIRR-129-13 F	-	-	5,135	5,135
	-	-	27,035	27,035
Unknown	(77,365)	317,740	80,125	320,500
N/A	(97,485)	97,485	-	-
N/A	(16,311)	-	16,311	-
N/A	-	854,881	94,988	949,869
N/A	-	44,442	-	44,442
	(113,796)	996,808	111,299	994,311
	(191,161)	1,314,548	191,424	1,314,811
EMS-APPR117-108	-	9,461	-	9,461
Unknown	-	9,861	-	9,861
2016-BP-01-11597	-	121,434	-	121,434
	-	131,295	-	131,295
	\$ (191,161)	\$ 1,455,304	\$ 218,459	\$ 1,482,602

CITY OF SHEBOYGAN, WISCONSIN

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance For the Year Ended December 31, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance for the City are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with expenditures reported in the City's 2016 basic financial statements.

The City has not elected to charge a de minimis rate of 10% of modified total costs.

Federal Programs: The City qualifies as a low risk auditee in accordance with the Uniform Guidance. Therefore major programs, as identified in Section I of the Schedule of Findings and Questioned Costs, represent those with combined expenditures exceeding 20% of total federal awards that also were deemed major programs based on the auditors' risk assessment. The City's other federal programs were considered non-major programs.

State Programs: Major state programs represent state assistance programs with expenditures of \$250,000 or more and other state programs classified as major in the *State Single Audit Guidelines*. All other state assistance programs required to be included in the Schedule of State Financial Assistance in accordance with Appendix H of the *State Single Audit Guidelines* are non-major programs.

NOTE C - OVERSIGHT AGENCY

The federal oversight agency for the City is the U.S. Department of Housing and Urban Development. The state oversight agency for the City is the State of Wisconsin Department of Transportation.

NOTE D - LOAN BALANCES

As of December 31, 2016, the loan balance for CFDA #14.218, Community Development Block Grant program was \$6,705,552.

As of December 31, 2016, the loan balance for CFDA #14.900, Lead-Based Paint in Privately-Owned Housing grant program was \$724,326.

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to basic financial statements noted? No

Federal and State Awards Programs

Internal control over major program:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with the Uniform Guidance? No

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs/Cluster
	Federal Transit Cluster
20.507	Federal Transit Formula Grants

State ID Number	Name of State Programs/Cluster
395.104	Transit Operating Aid

Audit threshold used to determine between Type A and Type B programs: \$750,000
 Auditee qualified as low-risk auditee Yes

Section II - Financial Statement Findings

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2016.

Section III - Federal and State Award Findings and Questioned Costs

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended December 31, 2016.

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended December 31, 2016

Section IV - Other Issues

Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ Yes X No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

- | | | | |
|---------------------------------|-----------|--------------|----|
| Department of Transportation | _____ Yes | <u> X </u> | No |
| Department of Health Services | _____ Yes | <u> X </u> | No |
| Department of Justice | _____ Yes | <u> X </u> | No |
| Department of Natural Resources | _____ Yes | <u> X </u> | No |
| Department of Administration | _____ Yes | <u> X </u> | No |

Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ X Yes _____ No

Name and signature of shareholder _____ Bryan Grunewald, CPA

Date of report May 2, 2017

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2016

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2015.

Corrective Action Plan

No corrective action plan is required.

MANAGEMENT COMMUNICATIONS
CITY OF SHEBOYGAN, WISCONSIN
DECEMBER 31, 2016

CITY OF SHEBOYGAN, WISCONSIN

December 31, 2016

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To Mayor Michael Vandersteen and Common Council
City of Sheboygan
Sheboygan, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin (the "City") for the year ended December 31, 2016. The financial statements of the Water Utility Enterprise Fund were audited by other auditors. The City's financial statements, including our report thereon dated May 2, 2017, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, Uniform Guidance and State Single Audit Guidelines

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with Uniform Guidance and the *State Single Audit Guidelines*, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Compliance Supplement" and the *State Single Audit Guidelines* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

Consideration of Internal Control

Financial Statements

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, 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. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 126 - 127 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Federal and State Awards

In planning and performing our audit of compliance for each major federal and state program, we considered the City's internal control over compliance (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on compliance requirements that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2016, 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. Our report on internal control over compliance is presented on pages 128 - 129 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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, noncompliance 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 noncompliance of the City's major federal or state award programs will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. As described in Note C.1 to the financial statements, the City changed accounting policies related to fair value measurement by adopting Statement of Governmental Accounting Standards Board (GASB) No. 72, *Fair Value Measurement and Application* in 2016. Also, as described in Note D.2 to the financial statements, the City changed accounting policies related to tax abatements by adopting Statement of Governmental Accounting Standards Board (GASB) No. 77, *Tax Abatement Disclosures* in 2016. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the other post employment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other post employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of the investments is based on ending market values as of December 31, 2016 as reported by the investment managers. We evaluated the key factors and assumptions used in valuing the investments in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible accounts for ambulance receivables are based on the outstanding balances and historical loss levels. We evaluated key factors and assumptions used to develop the allowance which considered management's knowledge, past experience and communications with the City's third part billing provider in determining that the allowance is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued compensated absence liability is based on the number of vested employee hours available and is calculated based on current wage rates. We evaluated key factors and assumptions used to calculate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension asset and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Recorded an adjustment to the health claims liability in the health insurance internal service fund resulting in a decrease in the liability and expenses of \$650,000.

- Recorded an adjustment to depreciation in the sewerage system enterprise fund resulting in an increase in expense and a reduction in capital assets in the amount of \$479,809.
- Recorded an increase in loans receivable and deferred inflows in the amount of \$200,000 related to a business loan issued in 2016.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 2, 2017. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

Other Matters

We applied certain limited procedures to the schedules relating to pensions and other post-employment benefits, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Restriction on Use

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

Sincerely,

S. Schenk SL

Certified Public Accountants
Sheboygan, Wisconsin
May 2, 2017

SUMMARY FINANCIAL INFORMATION

1. City Governmental Fund Balances

Presented below is a summary of the various City governmental fund balances on December 31, 2016, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2016 and for indicating financial resources available at the start of the 2017 budget year.

	2016	2015
General Fund		
Nonspendable		
Inventories and prepaid items	\$ 171,385	\$ 178,439
Long-term accounts receivable	1,261,419	1,625,589
Committed	350,000	2,936,649
Assigned	65,413	914,984
Unassigned	20,678,879	17,905,924
Total General Fund	<u>22,527,096</u>	<u>23,561,585</u>
Special Revenue Funds		
Nonspendable		
Harbor center marina	18,162	20,487
Community development block grant	75,000	-
Restricted		
Community development block grant	748,746	584,590
Revolving loan funds	498,963	1,762,447
Lead based abatement program	2,224	710
Committed		
Wildwood baseball park	-	40,000
Assigned		
Mead library	1,058,343	868,607
Cable TV	880,570	894,361
Tourism promotion	731,200	640,910
Police meg unit	19,345	20,161
Special assessment	1,239,030	1,359,728
Redevelopment authority	310,012	114,698
Municipal court	604	16,299
Ambulance	254,580	317,204
Storm water	99,101	94,105
Unassigned (Deficit)		
Harbor center marina	<u>(3,337,768)</u>	<u>(3,275,599)</u>
Total Special Revenue Funds	<u>2,598,112</u>	<u>3,458,708</u>
Debt Service Funds	<u>9,926,651</u>	<u>10,364,975</u>
Capital Projects Funds	<u>6,749,568</u>	<u>3,717,967</u>
Permanent Funds		
Nonspendable		
Cemetery perpetual care	869,500	852,583
Library trust	600,000	600,000
Restricted		
Library trust	706,132	618,272
Total Permanent Funds	<u>2,175,632</u>	<u>2,070,855</u>
Totals	<u>\$ 43,977,059</u>	<u>\$ 43,174,090</u>

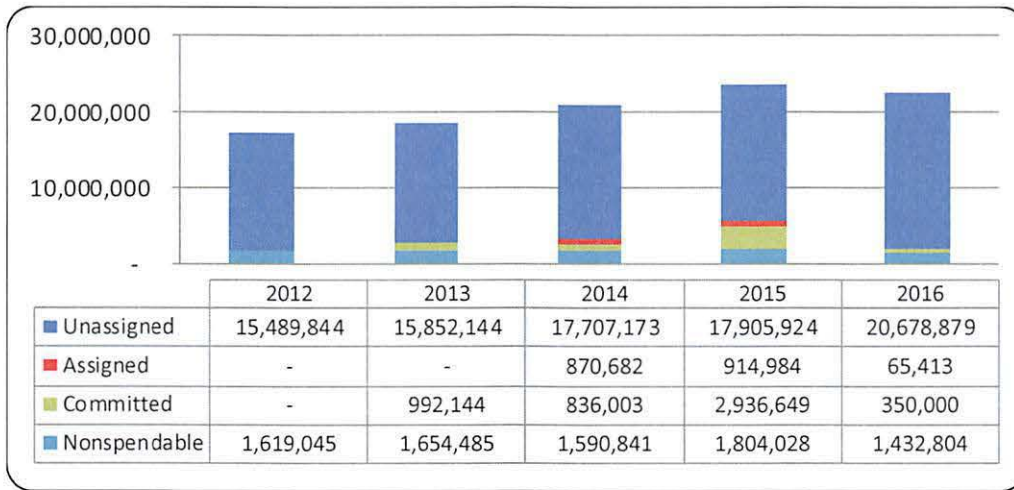
1. City Governmental Fund Balances (Continued)

General Fund

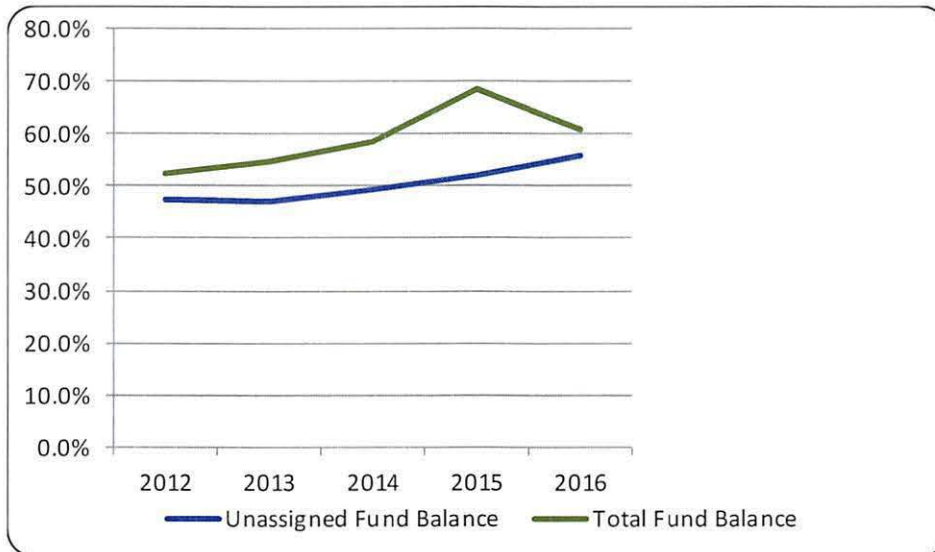
Overall, the City's general fund decreased \$1,034,489. The City's unassigned general fund balance increased \$2,772,955 and has a December 31, 2016 balance of \$20,678,879. The increase in unassigned funds is due to the combination of revenues exceeding budget and expenditures being under budget. The reduction in committed fund balance is due to the \$2.5 million contribution that was made to the County related to the dispatch service agreement.

Presented below is a fund balance analysis of the General Fund for fiscal years 2012 - 2016. This information is presented to assist City management in assessing fund balance levels at the end of fiscal year 2016 and the trend over the past five years.

General Fund Balance



Unassigned Fund Balance as a Percent of General Fund Expenditures



The City's general fund has an unassigned fund balance of \$20,678,879 available for working capital and future expenditures. This balance represents approximately 56% of the general fund expenditures.

1. City Governmental Fund Balances (Continued)

Special Revenue Funds

Overall, the total fund balance for all special revenue funds decreased \$860,596. The revolving loan fund balance decreased \$1,263,484 and has a December 31, 2016 balance of \$498,963. In addition, the deficit in the Harbor Center Marina fund continues to increase and has a December 31, 2016 deficit unassigned fund balance of \$3,337,768.

Debt Service Funds

Debt service funds present ending fund balance of \$9,926,651. This consists of the general obligation debt service fund which is responsible for repayment of the non-TID debt service and currently maintains fund balance of \$7,452,100. The tax incremental financing debt service fund reports a fund balance of \$2,474,551.

Capital Project Funds

Overall, the total fund balance available for all capital projects funds increased \$3,031,601 and has a balance of \$6,749,568 as of December 31, 2016. The fund balance of the capital projects tax levy fund increased \$2,026,323 and has a December 31, 2016 balance of \$3,591,203.

The fund balance of capital projects funds tend to fluctuate between years depending on the timing of receipt of proceeds from issuing debt and the timing of when project costs are incurred. During 2016, tax revenues and sales of prior assets of \$3,126,588 were recorded in the capital projects tax levy fund in comparison to capital outlay expenditures and transfers out of approximately \$1.1 million.

The City utilizes enterprise funds to account for the operations of the Sewerage System, Water Utility, Transit Commission, Parking Facility, and Boat Facility. Presented below is a summary of the funds' Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2016 including a comparison to the prior year (select funds only).

2. Sewerage System

Comparative statements of revenues, expenses and changes in net position for the sewerage system enterprise fund are present below:

	2016	2015
Operating Revenues		
Charges for services	\$ 6,980,303	\$ 6,944,693
Other	169,174	51,926
Total Operating Revenues	<u>7,149,477</u>	<u>6,996,619</u>
Operating Expenses		
Personal services	1,922,238	2,003,832
Contractual services	2,420,068	1,928,478
Supplies and materials	1,014,705	1,049,482
Insurance	35,727	34,293
Other	346,144	122,647
Depreciation	1,112,782	1,127,331
Total Expenses	<u>6,851,664</u>	<u>6,266,063</u>
Operating Income	<u>297,813</u>	<u>730,556</u>
Nonoperating Revenues (Expenses)		
Investment income	76,011	122,491
Interest expense	(217,824)	(230,172)
Gain on sale of capital assets	1,518	9,535
Total Nonoperating Revenues (Expenses)	<u>(140,295)</u>	<u>(98,146)</u>
Income Before Contributions and Transfers	157,518	632,410
Capital contributions	101,810	100,045
Transfers out	<u>(249,674)</u>	<u>(362,970)</u>
Change in Net Position	<u>9,654</u>	<u>369,485</u>
Net position - January 1	<u>21,219,283</u>	<u>20,849,798</u>
Net Position - December 31	<u>\$ 21,228,937</u>	<u>\$ 21,219,283</u>

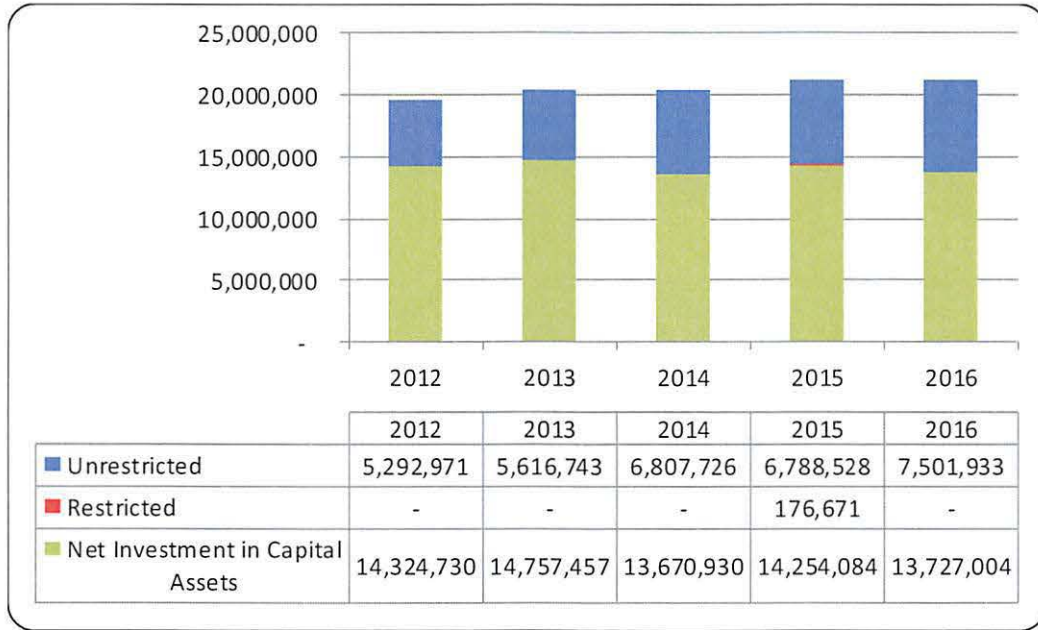
In 2016 the Sewerage System reported operating income of \$297,813 compared to \$730,556 for the prior year.

The decrease in operating income is primarily due to an increase in expenses. For 2016, the sewerage system reported an increase in contractual services, repairs and maintenance, hauling services and maintenance.

2. Sewerage System (Continued)

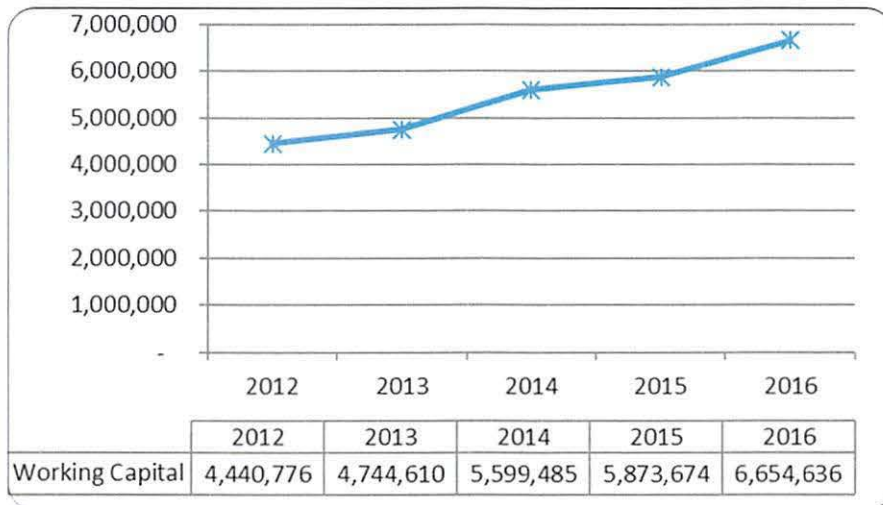
Sewerage System's Net Position

Following is an analysis of the City's Sewerage System net position for the past five years. This information is presented to assist City management in assessing equity levels at the end of the fiscal year and the trend over the past five years.



Sewerage System's Working Capital

The following graph presents an overview of the sewerage system's working capital for the most recent five year period. Working capital represents current assets less current liabilities.



3. Transit Commission

Comparative statements of revenues, expenses and changes in net position for the transit commission enterprise fund are present below:

	2016	2015
Operating Revenues		
Charges for services	\$ 732,396	\$ 755,067
Other	88,109	81,888
Total Operating Revenues	820,505	836,955
Operating Expenses		
Personal services	2,899,985	2,936,771
Contractual services	205,202	236,114
Supplies and materials	545,976	482,146
Insurance	127,083	123,010
Other	96,153	5,849
Depreciation	355,596	558,299
Total Operating Expenses	4,229,995	4,342,189
Operating Loss	(3,409,490)	(3,505,234)
Nonoperating Revenue (Expenses)		
Property taxes	511,547	511,547
Intergovernmental	2,627,871	2,644,412
Investment income	13,568	24,678
Miscellaneous revenue (expense)	(4,312)	55,372
Gain (loss) on disposal of assets	-	(24,305)
Total Nonoperating Revenue (Expenses)	3,148,674	3,211,704
Transfers out	-	(1,541)
Change in Net Position	(260,816)	(295,071)
Net position - January 1	4,598,264	4,893,335
Net Position - December 31	\$ 4,337,448	\$ 4,598,264

The results of operations between years are comparable as transit reported a change in net position of (\$260,816) for 2016 in comparison to (\$295,071) for 2015.

Intergovernmental revenues decreased slightly as did operating expenses. The entity experienced a reduction in costs due to the decline in fuel prices and also had reductions in wages / benefits. Supplies and materials (including repair parts) increased over the prior year.

As of December 31, 2016, the Transit Commission has \$2,840,140 in cash and investments and \$3,292,902 in unrestricted net position. Cash and investments increased by \$397,195 during the current year.

The City utilizes internal service funds to account for the operations of the Motor Vehicle, Data Processing, Health Self Insurance, Worker's Compensation Self Insurance, and General Liability Self Insurance funds. Presented below is a summary of the funds' statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2016 including a comparison to the prior year (Select funds only).

4. Motor Vehicle

Comparative statements of revenues, expenses and changes in net position for the motor vehicle internal service fund are present below:

	2016	2015
Operating Revenues		
Charges for services	\$ 1,818,301	\$ 1,848,198
Other	687	176
Total Operating Revenues	<u>1,818,988</u>	<u>1,848,374</u>
Operating Expenses		
Personal services	584,764	569,119
Contractual services	542,786	526,463
Supplies and materials	251,868	281,120
Other	44,619	27,734
Depreciation	813,964	742,467
Total Expenses	<u>2,238,001</u>	<u>2,146,903</u>
Operating Loss	<u>(419,013)</u>	<u>(298,529)</u>
Nonoperating Revenues		
Investment income	15,125	24,894
Sale of capital assets	344,096	121,989
Total Nonoperating Revenues	<u>359,221</u>	<u>146,883</u>
Loss Before Transfers	(59,792)	(151,646)
Transfers in	1,000,000	1,000,000
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>
Change in Net Position	815,208	723,354
Net position - January 1	<u>5,994,091</u>	<u>5,270,737</u>
Net Position - December 31	<u>\$ 6,809,299</u>	<u>\$ 5,994,091</u>

The Motor Vehicle internal service fund generated an operating loss of \$419,013 for 2016 compared to a loss of \$298,529 the prior year. The increase in operating loss in the current year is due to increase in operating expenses primarily depreciation.

The \$1,000,000 transfer in is from the capital projects bonded fund.

As of December 31, 2016, the fund has cash and investments totaling \$2,224,709 and unrestricted net position of \$2,192,453. Cash and investments increased by \$177,278 during the current year.

5. Health Self Insurance

Comparative statements of revenues, expenses and changes in net position for the health self insurance internal service fund are present below:

	2016	2015
Operating Revenues		
Charges for services	\$ 6,157,071	\$ 6,633,216
Other	5,243	1,718
Total Operating Revenues	<u>6,162,314</u>	<u>6,634,934</u>
Operating Expenses		
Personal services	116,322	109,615
Contractual services	304,887	296,254
Supplies and materials	43	-
Insurance	5,271,879	7,308,757
Other	634,554	-
Total Expenses	<u>6,327,685</u>	<u>7,714,626</u>
Operating Loss	<u>(165,371)</u>	<u>(1,079,692)</u>
Nonoperating Revenue		
Investment income	<u>38,223</u>	<u>110,177</u>
Change in Net Position	(127,148)	(969,515)
Net position - January 1	<u>5,849,017</u>	<u>6,818,532</u>
Net Position - December 31	<u>\$ 5,721,869</u>	<u>\$ 5,849,017</u>

The fund reported operating loss of \$165,371 compared to an operating loss of \$1,079,692 the prior year.

Operating revenues decreased \$472,620 due to a reduction in charges to other City departments. Insurance expenses decreased \$2,036,878 due to fluctuation in claims and also included an adjustment of \$650,000 to reduce the liability reserve estimate.

As of December 31, 2016, the fund has cash and investments totaling \$6,367,658 and unrestricted net position of \$5,721,869. Cash and investments decreased by \$836,829 during the current year.

6. Workers Compensation Self Insurance

Comparative statements of revenues, expenses and changes in net position for the workers compensation self insurance internal service fund are present below:

	2016	2015
Operating Revenues		
Charges for services	\$ 606,455	\$ 607,906
Operating Expenses		
Personal services	129,145	124,883
Contractual services	23,535	21,052
Insurance	362,222	505,489
Total Expenses	514,902	651,424
Operating Income (Loss)	91,553	(43,518)
Nonoperating Revenue		
Investment income	8,684	22,173
Change in Net Position	100,237	(21,345)
Net position - January 1	1,496,833	1,518,178
Net Position - December 31	\$ 1,597,070	\$ 1,496,833

The operating income increased from a loss of \$43,518 in 2015 to income of \$91,553 due to a decrease in claims and insurance costs.

As of December 31, 2016, the fund has cash and investments totaling \$1,633,760 and unrestricted net position of \$1,597,070.

COMMENTS AND OBSERVATIONS

Accounting and Reporting for Other Post-employment Benefits

In June 2015, the Governmental Accounting Standards Board (GASB) issued two new pronouncements relating to other post-employment benefits (OPEB). GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions* significantly change the accounting and financial reporting of post-employment benefits that was established in GASB Statement Nos. 43 and 45. The primary purpose of these Statements is to improve accounting and financial reporting of OPEB obligations and enhance transparency of OPEB related information in your financial statements similar to how GASB Statements Nos. 67 and 68 were designed.

Currently, governments report a liability related to other post-employment liabilities for the unfunded portion of the annual required contribution, based on amortization of the Unfunded Actuarial Liability (UAL) over an open period of time, not to exceed 30 years. Upon implementing the new standards, the City will recognize the difference between total OPEB liability and any plan assets (net OPEB liability) in the government-wide and proprietary financial statements, often resulting in a significant increase in the OPEB liability reported in your financial statements. The new standards also require that the entry age normal cost method be used to determine the liability, deferred inflows and outflows of resources to be reported for changes in economic and demographic assumptions and differences between expected and actual experience, and additional note disclosures and schedules.

The new standards are effective for financial statements for OPEB plans for fiscal years beginning after June 15, 2016 and for employers for fiscal years beginning after June 15, 2017. We recommend that the City evaluate the impact of the new standards with your actuary, and determine an implementation strategy to minimize your costs while ensuring adequate communication of the impact of these changes will have on your financial statements. As you develop your implementation strategy, you should evaluate the following:

- Do you anticipate any changes in benefits? If yes, you should approve benefit changes prior to implementation, as any changes in benefits in the future are treated as a current year activity.
- What is your valuation measurement date? You can roll back to a valuation date 12 months prior to year end, allowing you to complete your actuarial valuation prior to year end or you can roll forward to your reporting date, requiring your actuarial valuation to be completed after year end but before you anticipate issuance of your financial statements.

APPENDIX



May 2, 2017

Schenck SC
712 Riverfront Drive, Suite 301
Sheboygan, WI 53081

This representation letter is provided in connection with your audit of the financial statements of the City of Sheboygan, Wisconsin, (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2016, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items in No. 56 are considered material based on the materiality criteria specified in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 2, 2017, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 10, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

FINANCE DEPARTMENT

CITY HALL
828 CENTER AVE., SUITE 205
SHEBOYGAN, WI
53081-4442

920/459-3311
FAX 920/459-3967

www.sheboyganwi.gov

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. In regards to accounting estimates:
 - The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - The disclosures related to accounting estimates are complete and appropriate.
 - No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
9. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
10. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.
11. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
12. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

- d. Minutes of the meetings of the Common Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal awards and state financial assistance.
 15. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
 - a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - i. Management,
 - ii. Employees who have significant roles in internal control, or
 - iii. Others where the fraud could have a material effect on the financial statements.
 - b. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
 16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
 17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 18. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
23. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
27. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.
28. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
30. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
31. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
32. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
33. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
34. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
35. Provisions for uncollectible receivables have been properly identified and recorded.
36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
37. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

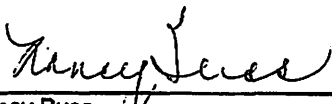
38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
39. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
41. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
42. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
43. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
45. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, supporting schedules, and the statistical data (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
46. We agree with the findings of specialists in evaluating the other post-employment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
47. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the City's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
48. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

49. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
50. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
51. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
52. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
53. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
54. Tax abatement agreements have been properly disclosed in the notes to the financial statements.
55. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Post-employment Benefit Plans other than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, as discussed in Note D.6. The City is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and the results of its operations when the Statements are adopted.
56. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Uniform Guidance and the Guidelines. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.
 - c. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the *State Single Audit Guidelines* and have included in the SEFA and SSFA expenditures made during the audit period for all awards provided by federal and state agencies in the form of awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- d. We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major federal and state program.
- e. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- f. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- g. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- h. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you), including, when applicable, those set forth in the *OMB Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and confirmed that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal or state awards.
- i. We have disclosed any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, subpart E) and OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, if applicable.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

- o. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
 - p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditors' report.
 - q. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - r. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
 - s. We have charged costs to federal and state awards in accordance with applicable cost principles.
 - t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - u. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
 - v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
 - w. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and the *State Single Audit Guidelines*.
57. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed:



Nancy Buss,
Finance Director

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: RO No. ____-17-18 by the Finance Director submitting the Annual Financial Report of the City of Sheboygan for the year ended December 31, 2016, prepared by Schenck SC.

REPORT PREPARED BY: Nancy Buss, Finance Director

REPORT DATE: May 4, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

Annually, the City of Sheboygan contracts with independent auditors to perform an audit of the financial statements. Included in the audit is a report on internal controls and a review of required compliance for Federal and State funding.

STAFF COMMENTS:

The audit of the 2016 financials of the City of Sheboygan was conducted by Schenck SC. The City received an unmodified opinion on the basic financial statements, no identified or reportable internal control findings, and no indication of noncompliance for federal and state financial assistance. The City's general fund balance continues with a strong reserve, the outstanding debt of \$34.8 million is at a low level compared to statutory limit and working capital for the health insurance and workers compensation internal service funds continue to be at a strong level.

ACTION REQUESTED:

Motion to recommend the Common Council accept and file RO No. ____-17-18 submitting the Annual Financial Report for the year ended December 31, 2016.

ATTACHMENTS:

- I. Proposed R.O. No. ____-17-18

R. O. No. _____ 17 – 18. By Finance Director. May 15, 2017

Submitting the Annual Financial Report of the City of Sheboygan for the year ended December 31, 2016, prepared by Schenck SC.

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: 2018 Budget: Goals and Parameters

REPORT PREPARED BY: Darrell Hofland, City Administrator

REPORT DATE: May 2, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

As City staff begins the development of their departmental requests for the 2018 budget, insight and input from the Finance and Personnel Committee is important.

STAFF COMMENTS:

Director of Finance Nancy Buss has initiated a preliminary analysis of fiscal factors that are anticipated to affect the 2018 budget.

In conjunction with the preliminary analysis of fiscal factors, the following are suggested goals and parameters to the City Administrator as he develops the 2018 Executive Budget:

1. General Fund Budget that retains eligibility for Wisconsin's Expenditure Restraint Program.
2. Equalized tax rate to increase no more than inflationary levels.
3. Maintain City services with no decrease in service level.
4. Leverage City resources through partnerships and shared services/facilities with other entities.
5. Leverage intergovernmental money to offset city cost for projects or programs that promote City priorities, goals or objectives.
6. Funding for a (not to exceed) 2% increase in wages for City workforce, including collective bargaining agreements.
7. Review user fees including utility rates.
8. Identify planned borrowed funds which will not affect the City's current Aa2 bond rating.
9. Continue Garbage User fee which frees up property tax levy for funding street projects.
10. Balance all Fund budgets, if necessary utilize applied fund balance or planned borrowed funds proceeds.

11. Incorporate 2018 projects, equipment and vehicles identified in the 2018 – 2022 Capital Improvement Program.
12. Continue use of donations between Tax Incremental Districts.
13. Maintain a minimum of 25% uncommitted Fund Balance in the General Fund budget.

ACTION REQUESTED:

For discussion purposes only.

ATTACHMENTS:

- I. Preliminary 2018 Budget Fiscal Factors

Preliminary 2018 Budget Fiscal Factors

General Fund	Revenue	Expense
2017 Budget	\$ 35,979,860	\$ 36,045,273
2018 Adjustments		
Net new construction Based on \$40 Million	376,011	
Salaries/Benefits		450,000
Health Insurance		100,000
Fire Department Staffing		62,293
Elections (Governor election)		70,000
Adjusted	\$ 36,355,871	36,727,566
Shortfall		<u>(371,695)</u>

Assumptions:

- Staffing levels
- WI Retirement - 2017 Rate
- Health Insurance - Tier Program
- Shared Revenue neutral
- Expenditure Restraint neutral
- Continued Garbage Fee

Possible sources of savings/revenue:

- Increase tax levy - levy limit allows \$332,255
- Potential outsourcing
- Increase charges for services

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: R.O. No. 1-17-18 by City Administrator for Citizen Engagement Program

REPORT PREPARED BY: Darrell Hofland, City Administrator

REPORT DATE: April 24, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The City of Sheboygan has a solid, proven record for engaging and informing its residents and businesses. Such methods that have been used in the past include public hearings, informational hearings, presentations, open houses, advisory referendums, binding referendums, workshops, stakeholder collaboration, individual property owner mailings, press releases, remote postings, newsletters, program booklets, electronic sign messaging, ad hoc committees, social media, City website, community surveys, document co-creation, photo voicing, and online interactive mapping.

STAFF COMMENTS:

Although the Common Council and city staff have been successful in utilizing many avenues for engaging its residents and businesses, it is appropriate to incorporate these efforts into a more comprehensive, organized Citizen Engagement Program.

Attached is a copy of the draft Citizen Engagement Program (CEP).

The CEP is intended to:

- Increase the Sheboygan city government's access to its citizens' ideas and expertise.
- Make information about citizen engagement more transparent, accessible, and interactive for all citizens.
- Engage capable, motivated citizens in actively advancing community projects they care about that will improve their community in a way that is personally meaningful, productive, efficient, and cost-effective.
- Make the system for eliciting, sorting, evaluating, prioritizing, and acting upon citizen initiatives more integrated and effective.
- Improve the collaborative processes among city staff, Common Council and engaged citizens.

The Office of the City Administrator will coordinate and be resource for city staff in their efforts to implement the CEP.

The CEP includes the utilization of a Citizen Idea Form, volunteer registry and volunteer recognition program.

Please note that decision to create a Citizen Work Group (ad hoc committee) is retained by the Common Council.

ACTION REQUESTED:

Motion to recommend the Common Council approve R.O. No. 1-17-18 to create Sheboygan Citizen Engagement Program.

ATTACHMENTS:

- I. Sheboygan Citizen Engagement Program

SHEBOYGAN CITIZEN ENGAGEMENT PROGRAM

PURPOSES: Sheboygan's Citizen Engagement Program (CEP) is intended to:

- Increase the City of Sheboygan's government's access to its citizens' ideas and expertise.
- Make information about citizen engagement more transparent, accessible, and interactive for all citizens.
- Engage capable, motivated citizens in actively advancing community projects they care about that will improve their community in a way that is personally meaningful, productive, efficient, and cost-effective.
- Make the system for eliciting, sorting, evaluating, prioritizing, and acting upon citizen initiatives more integrated and effective.
- Improve the collaborative processes among city staff, Common Council, and engaged citizens.

The following outline summarizes how community input will be handled:

- 1) **Soliciting Ideas and Issues:** Citizen-generated issues and ideas will be collected by the city staff and Common Council. The issues and ideas will be discussed as part of the annual review of the city's Strategic Plan 2017-2021.
- 2) **Organizing Ideas and Issues:** These ideas will be organized by the Office of the City Administrator into three categories - those to be:
 - Addressed immediately by city staff; or
 - Agendized for Common Council and committee consideration as soon as possible; or
 - Maintained for consideration by the Finance and Personnel Committee and eventually the Common Council at its annual strategic plan update discussion.
- 3) **Prioritizing Ideas and Issues:** The full list of pending ideas will be submitted to the Finance and Personnel Committee to consider and prioritize for inclusion in the city's strategic plan as recommended to the Common Council.
- 4) **Implementing Ideas and Issues:** Projects included in the city's strategic plan will be assigned to a lead staff member, with specific objectives, a timeline, and possibly a budget. Whenever a project would benefit from citizen engagement, the appropriate staff member working through the Office of the City Administrator to form a Citizen Work Group that will collaborate to help implement the project.
- 5) **Reporting Ideas and Issues:** The Office of the City Administrator will

provide an annual report to the Finance and Personnel Committee and the community on community input and citizen engagement efforts and projects.

- 6) **Periodic Reviews and Annual Evaluation of the Citizen Engagement Program:** The City Administrator will work with the Common Council, community and city staff to ensure that there is on-going review and evaluation of the CEP. The City Administrator will solicit feedback from the community and may convene a small working group to assist in the CEP evaluation. The CEP will be evaluated and modified as needed to ensure that it is continuously functioning at the highest level of citizen engagement and creating broad-based opportunities for citizen input and involvement.
- 7) **Recognition Program:** The Mayor's Office will make it a priority to honor all citizen volunteers annually in order to show the city's appreciation for their time and dedication.

The elements of the CEP are described below:

1. SOLICITING IDEAS AND ISSUES

The **Strategic Plan 2017-2021** will be the city's overarching guide to its priorities and projects for the decade. The strategic plan will express the vision residents have for the community, establish a set of values, key strategies, objectives, and from that will come action items and critical measurements.

Sheboygan citizens will be invited to identify problems and provide ideas relating to or independent of the strategic plan that they would like the city staff and Common Council to consider. Topic areas will expand upon existing committee's, commission's, and council's disciplines and will include public safety, public works, etc. All received ideas will be reported back to the Common Council. A standard **Citizen Idea Form** will be widely distributed to elicit the information needed to review an idea.

The Office of the City Administrator will implement and manage the CEP.

Many other methods, traditional and innovative, may be used to solicit community input. These include:

- **Common Council listening sessions** inviting various constituencies to provide targeted public input directly to the Common Council.
- **A town hall, open house, or forum** that is either topical or open to general discussion of city issues (or both).
- Smaller, more focused **roundtables and focus groups** to solicit a deeper level of input and information sharing around specific subjects.
- **One-to-one conferences with individuals and organizations.**
- **Social media** will be used to enable everyone in our community to provide

- input.
- The city's **website**, which creates an online interactive "go-to" place for community dialogue.
 - **Traditional media outlets** (e.g. newspaper, radio and televisions stations) will inform, educate, and encourage public dialogue.
 - **Partnerships with schools and youth organizations** will be fostered in order to engage youth and families.

Committee, Commission and Boards

The Strategic Plan 2017-2021 serves as the city's core strategic planning document and is intended to be a living document that proactively guides the city's strategic development through 2021 and beyond. The action items of the strategic plan will be explored in depth.

To accomplish future action items, the city management team will meet with their respective committees, commissions, and boards to request input from the public on action items in January – March of the year prior to the update of the strategic plan. They will **seek a consensus on a few (one-three) top priority objectives, and related action items** that they want to recommend strongly for Common Council consideration.

Their recommendations will be concisely summarized and distributed widely. If needed, one **integrative meeting** will be held among selected representatives from each committee, commission or board to share their groups' recommendations and to suggest ways of integrating items of crossover concern at a future Committee of the Whole meeting.

These meetings will be posted in advance for the public to attend. The City Administrator may identify other additional goals or key strategies.

Each committee, commission, or board will also **assess** progress, i.e. critical measurements, toward fulfilling the goals of the strategic plan.

2. ORGANIZING IDEAS AND ISSUES

Once community input has been captured, staff will administratively review ideas and potential projects to determine if any are **already being addressed** within another city effort or if they would best **be integrated into other ongoing projects**. They also may provide input on **resource requirements, legal issues**, etc. Once organized, staff will send input along one of **three essential tracks**:

- A. Immediate resolution/implementation by city staff** on issues and services that fall within the purview of city departments and the current operational budget.
- B. Immediate consideration by the Common Council** for issues and services that require legislative authority and fall within the *current* budget and staff

resources.

- C. **Future consideration at a Common Council annual strategic plan update meeting** for ideas that require major policy, funding, and/or staff resources for *future* fiscal year(s).

3. PRIORITIZING IDEAS AND ISSUES

Citizen initiatives requiring the Common Council's authorization and possible funding will be reviewed at a **Finance and Personnel Committee work session** held in April or May, prior to the commencement of the annual budget process. This will allow city-wide prioritization since all possible work plan items will be considered at one time in relation to one another. The Common Council will decide upon the **highest priority items** and incorporate them into an **annual work plan** upon which the annual budget will be based.

The Common Council will consider any or all of the following **prioritization guidelines**

in order to establish work-plan items:

- Does the project contribute to implementing the strategic plan?
- Is the project consistent with strategic plans or priorities (i.e. infrastructure and public facilities, quality of life, economic development)?
- Does broad-based support exist from different segments of the community?
- Does the project address a special community need or emergency?
- Do resources (staff, financial, technological) exist to complete a project?
- Does the city have a limited window of opportunity to take advantage of outside funding?
- Are there changes in federal or state law, or other external forces to be considered?

4. IMPLEMENTING IDEAS AND ISSUES

The following steps will be taken to implement the priorities established by the City Administrator:

- A. Whenever appropriate, the City Administrator will assign a **staff member, specific objectives, and a timeline and budget where appropriate.**
- B. Whenever appropriate, the Common Council will create an ad hoc committee or the City Administrator will create and appoint a **Citizen Work Group (CWG)** that will collaborate to move the project forward. The size, makeup, and operation of each committee or CWG will vary depending on the project.

Before signing on to participate, the committee or CWG volunteers will be **informed about what is expected**, such as the time commitment, the kinds of tasks they may be asked to complete (e.g. conduct a survey or write a report), what staff will and will not be able to contribute, and what other resources they will have.

- C. To ensure optimal membership, a **Volunteer Registry** will be created and managed by the Mayor's Office to serve as a pool from which the Mayor or the City Administrator can draw from when putting together project teams.

The Registry will be created and maintained through the following steps:

- The Mayor's Office will reach out to **current committee, commission and board members** and seek their participation in the Registry.
- The Mayor's Office will **reach out to community groups** to inform them about the Citizen Engagement Program and opportunities for citizen participation.
- The Mayor's Office will **publicize opportunities for citizen involvement.**
- Signing up for the Volunteer Registry will be made as **simple and accessible** as possible.

The Mayor's Office is responsible for ensuring that there is on-going communication **with all registered volunteers throughout the year**, not just those currently participating in work groups.

5. REPORTING IDEAS AND ISSUES

Information about all of the above kinds of **input** from the community and their **engagement** in carrying out the Common Council's priorities will be **presented annually to the Common Council**. The annual presentation will provide information and basis for discussion, and give the Common Council the opportunity to ask questions and make suggestions about the ideas, issues, and the citizen engagement process.

These annual reports will also be housed on **the City's website** for ongoing community access, comment, and feedback.

6. RECOGNITION PROGRAM

The Mayor's Office will make it a priority to honor all citizen volunteers annually in order to show their appreciation for their time and dedication. Ways to do this could include:

- Have citizens serving on the ad hoc committees present their ideas and findings to Common Council.
- Appreciation articles in the newspaper.
- Send out occasional thank you cards to current volunteers thanking them for their service.
- Participate in National Volunteer Week activities.
- Initiate a local Volunteer Month in the city via the Mayor.

Proclamations and public information pieces as a way to thank current volunteers, recruit new volunteers, and promote the value of volunteering to the community.

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Res. No. 13-17-18 to authorize a loan from the Trust Funds of the State of Wisconsin in the sum of \$400,000 for TID #16 Housing Project

REPORT PREPARED BY: Nancy Buss, Finance Director

REPORT DATE: May 4, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The Common Council approved the amended and restated contract for sale of land for private development by and between the City of Sheboygan and Eighth-New Jersey, LLC. The contract includes a total developer incentive of \$2,175,000. This amount includes an additional \$400,000 for soil issues and related redesign of foundation.

STAFF COMMENTS:

The City filed an application with the Board of Commissioners of Public Lands to borrow \$400,000. The loan will be repaid over five years at an interest rate of three percent. No issuance expense will be incurred.

ACTION REQUESTED:

Motion to recommend the Common Council approve Res. No. 13-17-18 authorizing a loan from the Trust Funds of the State of Wisconsin in the sum of \$400,000 for TID #16 Housing Project.

ATTACHMENT

- I. Res. No. 13-17-18
- II. Res. No. 223-16-17

III

5.5

Res. No. 13 - 17 - 18. By Alderperson Donohue. May 1, 2017.

A RESOLUTION to authorize a loan from the Trust Funds of the State of Wisconsin in the sum of \$400,000 for TID #16 Housing Project.

By the provisions of Sec. 24.66 of the Wisconsin Statutes, all municipalities may borrow money for such purposes in the manner prescribed, and,

By the provisions of Chapter 24 of the Wisconsin Statutes, the Board of Commissioners of Public Lands of Wisconsin is authorized to make loans from the State Trust Funds to municipalities for such purposes. (Municipality as defined by Sec. 24.60(2) of the Wisconsin Statutes means a town, village, city, county, public inland lake protection and rehabilitation district, town sanitary district created under Sec. 60.71 or 60.72, metropolitan sewerage district created under Sec. 200.05 or 200.23, joint sewerage system created under Sec. 281.43(4), school district or technical college district.)

THEREFORE, BE IT RESOLVED, that the City of Sheboygan, in the County of Sheboygan, Wisconsin, borrow from the Trust Funds of the State of Wisconsin the sum of Four Hundred Thousand And 00/100 Dollars (\$400,000.00) for the purpose of financing development incentive for TID #16 housing project and for no other purpose.

The loan is to be payable within 5 years from the 15th day of March preceding the date the loan is made. The loan will be repaid in annual installments with interest at the rate of 3.00 percent per annum from the date of making the loan to the 15th day of March next and thereafter annually as provided by law.

RESOLVED FURTHER, that there shall be raised and there is levied upon all taxable property, within the City of Sheboygan, in the County of Sheboygan, Wisconsin, a direct annual tax for the purpose of paying interest and principal on the loan as they become due.

RESOLVED FURTHER, that no money obtained by the City of Sheboygan by such loan from the state be applied or paid out for any purpose except financing development incentive for TID #16 housing project without the consent of the Board of Commissioners of Public Lands.

RESOLVED FURTHER, that in case the Board of Commissioners of Public Lands of Wisconsin agrees to make the loan, that the Mayor and clerk of the City of Sheboygan, in the County of Sheboygan, Wisconsin are

Jan/Para

authorized and empowered, in the name of the city to execute and deliver to the Commission, certificates of indebtedness, in such form as required by the Commission, for any sum of money that may be loaned to the city pursuant to this resolution. The Mayor and clerk of the city will perform all necessary actions to fully carry out the provisions of Chapter 24, Wisconsin Statutes, and these resolutions.

RESOLVED FURTHER, that this preamble and these resolutions and the aye and no vote by which they were adopted, be recorded, and that the clerk of this city forward this certified record, along with the application for the loan, to the Board of Commissioners of Public Lands of Wisconsin.

Myrtle Nowlan

I HEREBY CERTIFY that the foregoing Resolution was duly passed by the Common Council of the City of Sheboygan, Wisconsin, on the _____ day of _____, 20____.

Dated _____ 20____. _____, City Clerk

Approved _____ 20____. _____, Mayor

OFFICE OF THE CITY CLERK
Sheboygan, Wisconsin
CITY HALL

I hereby certify that this is a true copy of a
document from the Common Council
proceedings of the City of Sheboygan.

Susan Richards
City Clerk

Res. No. 223 16 - 17. By Alderperson Wolf. March 20, 2017.

A RESOLUTION approving the Amended and Restated Contract for Sale of Land for Private Development by and between City of Sheboygan, Wisconsin and Eighth-New Jersey, LLC.

RESOLVED: That the City of Sheboygan hereby approves the Amended and Restated Contract for Sale of Land for Private Development by and between City of Sheboygan, Wisconsin and Eighth-New Jersey, LLC in form substantially similar to the documents attached hereto and incorporated herein by this reference.

BE IT FURTHER RESOLVED: That the Mayor and City Clerk are hereby authorized to sign all necessary documents on behalf of the City of Sheboygan.

*Finance
approved*

[Signature]

I HEREBY CERTIFY that the foregoing Resolution was duly passed by the
Common Council of the City of Sheboygan, Wisconsin, on the 5th day of
April, 2017.

Dated April 12 2017. Susan Richards, City Clerk

Approved April 12 2017. Michael Standeiser, Mayor

Proceedings Published April 15, 2017.
Resolutions Published April 15, 2017.
Certified April 12, 2017 to - Assessor; Dir. Of City Dev.; Fin.
Dir./Treas.; CA; Atty.; Eng.

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Res. No. 10-17-18 by Alderperson Donohue authorizing a transfer of appropriations in the 2017 Budget.

REPORT PREPARED BY: Nancy Buss, Finance Director

REPORT DATE: May 4, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

STATUTORY REFERENCE:

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

Tax Increment District 12

The Common Council approved Res No. 7-17-18 to enter into contract for the construction of Parking Lot No. 14B. The development agreement with Encore Apartments requires the city to provide 42 dedicated parking stalls. The construction of the lot will be funded from the TID 12 Debt Service Fund.

Land Acquisition

The city purchased the Koepsell property in 2017. Additional properties will be purchased to develop the Indiana Avenue corridor. The funds will be advanced to the Redevelopment Authority and repaid with interest to the General Fund.

STAFF COMMENTS:

WI State Statutes requires no funds may be expended and no liabilities incurred by the city or any department unless authorized.

ACTION REQUESTED:

Motion to recommend the Common Council approve Res. No. 10-17-18 by Alderperson Donohue authorizing a transfer of appropriations in the 2017 Budget.

ATTACHMENTS:

- I. Res. No. 7-17-18
- II. Res. No. 10-17-18

III

Res. No. 7 - 17 - 18. By Alderperson Wolf. May 1, 2017.

A RESOLUTION authorizing the appropriate City Officials to enter into a contract for the construction of Parking Lot No. 14B.

WHEREAS: Two bids were received in response to bid #2410-17. The low bid has been determined to meet all of the specifications.

WHEREAS: The bids are tabulated as follows:

Buteyn-Peterson Construction Company, Sheboygan, WI
 \$275,962.83
 Vinton Construction, Manitowoc, WI
 \$290,529.80

RESOLVED: That the appropriate City Officials are hereby authorized to enter into contract with Buteyn-Peterson Construction Company for the construction of Parking Lot No. 14B in the amount of \$275,962.83 and are authorized to draw funds from the following accounts: 42261100-611200 \$275,962.83 in payment of same.

*1 suspend
1 pass*

I HEREBY CERTIFY that the foregoing Resolution was duly passed by the Common Council of the City of Sheboygan, Wisconsin, on the _____ day of _____, 20____.

Dated _____ 20____. _____, City Clerk

Approved _____ 20____. _____, Mayor

III

5.9

Res. No. 10 - 17 - 18. By Alderperson Donohue. May 1, 2017.

A RESOLUTION to authorize a transfer of appropriations in the 2017 Budget.

RESOLVED: That the Finance Director be and is hereby authorized and directed to make the following transfers of appropriations in the 2017 Budget for the purposes of:

Establish appropriation for parking lot improvements in Tax Increment District 12

<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>
Tax Increment District 12 Debt Service Unreserved Fund Balance 312-253000	Tax Increment District 12 Construction Land Improvements 42261100-611200	\$300,000

Establish appropriation for land acquisition by the Redevelopment Authority. The funds will be advanced from the General Fund and repaid with interest

General Fund Unreserved Fund Balance 101-253000	Redevelopment Authority Fund Land Acquisition 29561100-611100	\$500,000
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Melanne Donohue

Fin/Per

I HEREBY CERTIFY that the foregoing Resolution was duly passed by the Common Council of the City of Sheboygan, Wisconsin, on the _____ day of _____, 20____.

Dated _____ 20____, _____, City Clerk

Approved _____ 20____, _____, Mayor

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: 2018 – 2022 City Development Department Capital Improvement Program Submissions

REPORT PREPARED BY: Chad Pelishek, Director of Planning and Development

REPORT DATE: April 24, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The Department of Planning and Development has prepared eight capital improvements for the 2018-2022 Capital Improvement Program. The projects include:

Project No. 1: Downtown Parking Structure: With possible expansion of major employers downtown, the new housing and additional retail surface lots parking will be limited. The TID 16 plan included the development of a parking structure in 2019. The parking study that is currently being worked on will determine if the parking structure is needed. Estimated cost for the structure is estimated at \$8,000,000 which would build up to 250-300 stall structure and be funded with TID - Other Borrowed Funds. Year completed: 2018-19.

Project No. 2: Land Acquisition - Business Center: As the current business center reaches full capacity, in order for the City to stay competitive in the market, it is important to purchase additional property to expand the park. Ruekert-Mielke has been retained to analyze the available properties and make recommendations on how they may be able to developed. Estimated costs to purchase additional land are \$3,125,000. This purchase would be funded from the Industrial Park Fund and other Borrowed Funds. This project is identified in the city's strategic plan. Year completed: 2018

Project No. 3: Land Acquisition - Indiana Avenue Trail Project: The Indiana Avenue Master Plan identifies the extension of a recreational trail along Indiana Avenue and south along South Business Drive to serve as a south connection on the old Union Pacific right-of-way. Based on costs from the railroad right-of-way to the north that Sheboygan County paid, the estimated cost of \$1,066,000 was developed to purchase the land. Funding would come from a combination of state grants and/or TID – Other Borrowed Funds. This project is identified in the city's strategic plan. Year completed: 2018

Project No. 4: Sheboygan Armory Demolition: City staff has estimated the cost of remediation and demolition at \$500,000. These costs need to be confirmed by actual bidding costs. Funds would need to be advanced from the Capital Project Fund and then reimbursed as part of the sale of the property to a developer. Year completed: 2018

Project No. 5: Construction - Business Center Expansion: Developing an expansion to the current business center would keep Sheboygan competitive in the market place. This project would be infrastructure construction as it pertains to the chosen option of the park expansion. Such work would include streets, storm sewer, sanitary sewer, water main and storm facilities. Since a final design is not completed at this stage, \$4,000,000 is being provided as a placeholder for this project. Funding would come from a TID – Other Borrowed Funds. This project is identified in the city's strategic plan. Year completed: 2019

Project No. 6: Construction - Indiana Avenue Trail Project: This project would consist of construction including site preparation, a 10 foot wide asphalt trail and street crossing. Based on Sheboygan County construction costs for the northern portion of the property, this project is estimated at \$2,000,000. Funding would come from combination of Non-motorized funding, state and federal grants and TID – Other Borrowed Funds. Year completed: 2019

Project No. 7: Dock Wall Expansion: Should a developer purchase the former Alliant Energy property, this project would expand the steel sheet pile wall from the City's boat launch to the overhead power poles to provide public access for possible recreational related boats used to access Lake Michigan. This project is located within the boundaries of TID 16. The project would be funded with TID – Other Borrowed Funds. Year completed: 2020

Project No. 8: Former Pentair Street Extension: In preparation for the development in the future of the former Pentair property, this request is for the extension of an additional street right-of-way to service the South Pier District. Actual location of the street will be determined as part of the development plan for the property. This project would be TID – Other Borrowed Funds. Year completed: 2019.

STAFF COMMENTS:

All of these projects are based around economic development projects and necessary to success of the recent investment in our downtown and surrounding areas. Most of the projects are included in the city's strategic plan. Staff recommends the committee support and approve these projects through the budget process.

ACTION REQUESTED:

For discussion purposes only.

ATTACHMENTS:

- I. 2018 – 2022 Capital Improvement Program Summary

5 YEAR CAPITAL IMPROVEMENT PROGRAM

	2018 <u>Requested</u>	2019 <u>Requested</u>	2020 <u>Requested</u>	2021 <u>Requested</u>	2022 <u>Requested</u>	<u>Total</u>
REVENUES						
Property Tax Levy: Capital Project Fund						
Police Projects	\$0	\$0	\$0	\$0	\$0	\$0
Street Improvement and Sidewalks	\$0	\$0	\$0	\$0	\$0	\$0
General Government Projects	\$0	\$0	\$0	\$0	\$0	\$0
Fire Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Park and Open Space Fund / Forestry	\$0	\$0	\$0	\$0	\$0	\$0
Impact Fees / Room Tax	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Sales	\$0	\$0	\$0	\$0	\$0	\$0
State / Federal Grants	\$533,000	\$1,000,000	\$0	\$0	\$0	\$1,533,000
Other Municipality Contributions		\$0	\$0	\$0	\$0	\$0
G. O. Borrowed Funds	\$0	\$0	\$0	\$0	\$0	\$0
Other Borrowed Funds	\$1,900,000	\$11,600,000	\$1,800,000	\$0	\$0	\$15,300,000
Donations	\$0	\$0	\$0	\$0	\$0	\$0
User Fees	\$0	\$0	\$0	\$0	\$0	\$0
Special Assessment	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Registration Fee	\$0	\$0	\$0	\$0	\$0	\$0
Other/CDBG	\$1,258,000	\$0	\$0	\$0	\$0	\$1,258,000
Fund Balance	\$2,400,000	\$0	\$0	\$0	\$0	\$2,400,000
TOTAL REVENUE	\$6,091,000	\$12,600,000	\$1,800,000	\$0	\$0	\$20,491,000
City Development						
Downtown Parking Structure	\$1,400,000	\$0	\$0	\$0	\$0	\$1,400,000
Land Acquisition - Business Center	\$3,125,000	\$0	\$0	\$0	\$0	\$3,125,000
Land Acquisition - Indiana Trail Project	\$1,066,000	\$0	\$0	\$0	\$0	\$1,066,000
Sheboygan Armory Demolition	\$500,000	\$0	\$0	\$0	\$0	\$500,000
Downtown Parking Structure	\$0	\$6,600,000	\$0	\$0	\$0	\$6,600,000
Construction - Business Center	\$0	\$4,000,000	\$0	\$0	\$0	\$4,000,000
Construction- Indiana Trail Project	\$0	\$2,000,000	\$0	\$0	\$0	\$2,000,000
Dockwall Expansion	\$0	\$0	\$800,000	\$0	\$0	\$800,000
Former Pentair Street Extension	\$0	\$0	\$1,000,000	\$0	\$0	\$1,000,000
Total - City Development	\$6,091,000	\$12,600,000	\$1,800,000	\$0	\$0	\$20,491,000

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: 2018 – 2022 Information Technology Capital Improvement Program

REPORT PREPARED BY: Greg Vertelka, Director of Information Technology

REPORT DATE: May 3, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The attached document outlines the 2018 – 2022 Capital Improvement Program (CIP) for Information Technology.

STAFF COMMENTS:

I recommend that the proposed projects be approved for the 2018 CIP Budget:

Disk Storage - \$20,000

The storage needs of the City of Sheboygan grow on a yearly basis. The additional space is driven by several factors: 1) Additional video utilized by the Police and other departments, 2) The City-wide effort to digitize all the legacy documents and 3) AS400 retirement – legacy electronic documents currently reside on the internal disk space of the AS400. As the City plans the turn down of the AS400 it needs to migrate all existing documents and data to the Network SAN device (NetApp appliance). This project will be funded by the Information Technology Fund's fund balance.

Disaster Recovery - \$130,000

Disaster Recovery is the process of utilizing policies and procedures, along with the necessary hardware, Servers/Disk/Software), to reduce the impact of a data center outage. Currently, the City does not have a Disaster Recovery plan nor the requisite hardware and software to recover from a Data Center outage. This request includes the required hardware to implement a secondary Data Center to "fail" over to in the event of a catastrophic issue with the City's primary Data Center. Additionally, part this capital expenditure will procure new physical servers that will be utilized as the production server environment with the current physical servers being implemented as the backup servers in case of a data center disaster. This cost avoids the server refresh that would have to occur in 2019 as the current server environment is three years old and would require a refresh to maintain the computing

environment for the City. This project will be funded by the Information Technology Fund's fund balance.

ACTION REQUESTED:

For discussion purposes only.

ATTACHMENTS:

- I. 2018 - 2022 CIP Information Technology Summary

5 YEAR CAPITAL IMPROVEMENT PROGRAM

	2018 <u>Requested</u>	2019 <u>Requested</u>	2020 <u>Requested</u>	2021 <u>Requested</u>	2022 <u>Requested</u>	<u>Total</u>
REVENUES						
Property Tax Levy: Capital Project Fund						
Police Projects	\$0	\$0	\$0	\$0	\$0	\$0
Street Improvement and Sidewalks	\$0	\$0	\$0	\$0	\$0	\$0
General Government Projects	\$0	\$0	\$0	\$0	\$0	\$0
Fire Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Park and Open Space Fund / Forestry	\$0	\$0	\$0	\$0	\$0	\$0
Impact Fees / Room Tax	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Sales	\$0	\$0	\$0	\$0	\$0	\$0
State / Federal Grants	\$0	\$0	\$0	\$0	\$0	\$0
Other Municipality Contributions	\$0	\$0	\$0	\$0	\$0	\$0
G. O. Borrowed Funds	\$0	\$0	\$0	\$0	\$0	\$0
Other Borrowed Funds	\$0	\$0	\$0	\$0	\$0	\$0
Donations	\$0	\$0	\$0	\$0	\$0	\$0
User Fees	\$0	\$0	\$0	\$0	\$0	\$0
Special Assessment	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Registration Fee	\$0	\$0	\$0	\$0	\$0	\$0
Other/CDBG	\$0	\$0	\$0	\$0	\$0	\$0
Fund Balance	\$150,000	\$45,000	\$200,000	\$25,000	\$0	\$420,000
TOTAL REVENUE	\$150,000	\$45,000	\$200,000	\$25,000	\$0	\$420,000
Information Technology Fund						
Disaster Recovery	\$130,000	\$0	\$0	\$0	\$0	\$130,000
Disk Storage	\$20,000	\$0	\$0	\$0	\$0	\$20,000
VM Host Server	\$0	\$45,000	\$0	\$0	\$0	\$45,000
Network Storage SAN Replacement	\$0	\$0	\$200,000	\$0	\$0	\$200,000
Network Switch Replacement	\$0	\$0	\$0	\$25,000	\$0	\$25,000
Total - Information Technology	\$150,000	\$45,000	\$200,000	\$25,000	\$0	\$420,000

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: 2018 - 2022 Cable TV (WSCS) Capital Improvement Program

REPORT PREPARED BY: Greg Vertelka, Director of Information Technology

REPORT DATE: May 3, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The attached document outlines the 2018 – 2022 Capital Improvement Program (CIP) for Cable TV (WSCS)

STAFF COMMENTS:

I recommend that the proposed projects be approved for the 2018 CIP budget:

Studio Cameras - \$52,000

The existing camera's in the studio is our standard definition. While this technology served its purpose in past years these are longer providing the City with the clear definition demanded by consumers. Additionally, these cameras are getting old and will present us with maintenance issues as we move forward. Replacing these will enhance our capabilities and prevent future maintenance costs. This project will be funded by the Cable TV fund's fund balance.

Studio Lighting - \$54,000

The existing lighting in the studio is from the 1980's. Bulbs burn out quite often; the light configurations requires manual setup and is hard to reach. The lights require a high amount of electricity and generate a high amount of heat. The replacement lighting will be energy efficient and allow for easier setup of lighting configurations in the studio. This project will be funded by the Cable TV fund's fund balance.

ACTION REQUESTED:

For discussion purposes only.

ATTACHMENTS:

- I. 2018 – 2022 CIP Cable TV (WSCS) Summary

5 YEAR CAPITAL IMPROVEMENT PROGRAM

	2018 <u>Requested</u>	2019 <u>Requested</u>	2020 <u>Requested</u>	2021 <u>Requested</u>	2022 <u>Requested</u>	<u>Total</u>
REVENUES						
Property Tax Levy: Capital Project Fund						
Police Projects	\$0	\$0	\$0	\$0	\$0	\$0
Street Improvement and Sidewalks	\$0	\$0	\$0	\$0	\$0	\$0
General Government Projects	\$0	\$0	\$0	\$0	\$0	\$0
Fire Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Park and Open Space Fund / Forestry	\$0	\$0	\$0	\$0	\$0	\$0
Impact Fees / Room Tax	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Sales	\$0	\$0	\$0	\$0	\$0	\$0
State / Federal Grants	\$0	\$0	\$0	\$0	\$0	\$0
Other Municipality Contributions	\$0	\$0	\$0	\$0	\$0	\$0
G. O. Borrowed Funds	\$0	\$0	\$0	\$0	\$0	\$0
Other Borrowed Funds	\$0	\$0	\$0	\$0	\$0	\$0
Donations	\$0	\$0	\$0	\$0	\$0	\$0
User Fees	\$0	\$0	\$0	\$0	\$0	\$0
Special Assessment	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Registration Fee	\$0	\$0	\$0	\$0	\$0	\$0
Other/CDBG	\$0	\$0	\$0	\$0	\$0	\$0
Fund Balance	\$106,000	\$0	\$0	\$0	\$0	\$106,000
TOTAL REVENUE	\$106,000	\$0	\$0	\$0	\$0	\$106,000
Cable TV Fund						
LED Studio Lighting	\$54,000	\$0	\$0	\$0	\$0	\$54,000
Studio Cameras	\$52,000	\$0	\$0	\$0	\$0	\$52,000
Total - Cable TV Fund	\$106,000	\$0	\$0	\$0	\$0	\$106,000

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: R. O. No. 198-16-17 is a claim from Samuel Q. Rodriguez for alleged damages to his truck.

REPORT PREPARED BY: Laurie Suhrke, Auditor/Analyst

REPORT DATE: May 2, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

STATUTORY REFERENCE:

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The claim was received on January 11, 2017. The claim is for \$1,655.96 in alleged damages to the claimant's vehicle that occurred when a city snow plow hit the back end of parked vehicle.

STAFF COMMENTS:

City staff has reviewed the claim and is recommending to deny the claim due to the lack of documentation provided by the claimant.

ACTION REQUESTED:

Motion to recommend the Common Council deny R. O. No. 198-16-17 and to direct the City Attorney to send a Notice of Disallowance.

ATTACHMENTS:

- I. R. O. No. 198-16-17
- II. R. C. No. 415-16-17

II

3.2

R. O. No. 198- 16 - 17. By CITY CLERK. January 16, 2017.

Submitting a claim from Samuel Q. Rodriguez for alleged damages to his truck while parked when a snow plow rear-ended into side and back on left side of truck.

Samuel

City Clerk

VI

5.6

R. C. No. 415 - 16 - 17. By FINANCE. April 17, 2017.

Your Committee to whom was referred R.O. No. 198-16-17 by City Clerk submitting a claim from Samuel Q. Rodriguez for alleged damages to his truck while parked when a snow plow rear-ended into side and back on left side of truck; recommends referring to Finance of the new council.

*Finance of
new Council*

James A. Boh

John B. Y

Committee

I HEREBY CERTIFY that the foregoing Committee Report was duly accepted and adopted by the Common Council of the City of Sheboygan, Wisconsin, on the _____ day of _____, 20____.

Dated _____ 20____, _____, City Clerk

Approved _____ 20____, _____, Mayor

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Department of Public Works Table of Organization Modifications Discussion

REPORT PREPARED BY: Sandy Rohrick, Director of Human Resources and Labor Relations

REPORT DATE: May 4, 2017

MEETING DATE: May 8, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: Chapter 82

BACKGROUND / ANALYSIS:

The engineering and administrative departments have recently experienced turn-over or anticipate future turn-over due to retirements. When openings occur, the department reviews current and future needs and provides recommended changes to the table of organization, if necessary.

STAFF COMMENTS:

Due to the possible sensitive nature of the changes within the organization, a closed session is required.

ACTION REQUESTED:

Motion to recommend the Office of the City Attorney draft a general ordinance listing the modifications as identified on the Table of Organization for the Department of Public Works.

ATTACHMENTS:

None