

**\*\*\*ATTACHMENTS\*\*\***

**CITY OF SHEBOYGAN, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2015**

**CITY OF SHEBOYGAN, WISCONSIN**

December 31, 2015

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5 - 6
Fund Financial Statements	
Balance Sheet - Governmental Funds	7 - 8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9 - 10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	11 - 12
Statement of Net Position - Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15 - 16
Statement of Fiduciary Net Position - Agency Funds	17
Notes to Basic Financial Statements	18 - 54
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Other Post-Employment Benefit Plan	55
Schedule of Employer Contributions - Other Post-Employment Benefit Plan	56
Schedule of Proportionate Share of Net Pension Asset - Wisconsin Retirement System	57
Schedule of Contributions - Wisconsin Retirement System	58
Notes to Required Supplementary Information	59
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	60 - 63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	64 - 67
Combining Statement of Net Position - Nonmajor Enterprise Funds	68
Combining Statement of Revenues, Expenses and Changes in Net Position Nonmajor Enterprise Funds	69

**CITY OF SHEBOYGAN, WISCONSIN**

December 31, 2015

Table of Contents

	<u>Page No.</u>
<b>SUPPLEMENTARY INFORMATION (Continued)</b>	
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	70
Combining Statement of Net Position - Internal Service Funds	71 - 72
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	73 - 74
Combining Statement of Cash Flows - Internal Service Funds	75 - 76
<b>ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS</b>	
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 <i>Government Auditing Standards</i>	77 - 78
<b>FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>	
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by Uniform Guidance and the <i>State Single Audit Guidelines</i>	79 - 80
Schedule of Expenditures of Federal Awards	81 - 82
Schedule of State Financial Assistance	83 - 84
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	85
Schedule of Findings and Questioned Costs	86 - 87
Schedule of Prior Year Audit Findings and Corrective Action Plan	88

## 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, 2015, 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 57 percent, 57 percent, and 50 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, 2015, 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.

### **Emphasis of Matter**

As discussed in Note D.6, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

As described in Note D.7, the City recorded a prior period adjustment of \$2,000,000 in the governmental funds and government-wide financial statements to properly recognize revenue. Our opinions are not modified with respect to this matter.

As described in Note D.8, the City increased its capitalization threshold for capital assets resulting in a decrease in net position of \$389,528 in the governmental activities and \$45,370 in the business-type activities and proprietary funds. 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 schedules relating to pensions and other post-employment benefits on pages 55 through 58 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

#### **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 financial information listed in the table of contents as supplementary information and the schedule of expenditures of federal awards and schedule of state financial assistance, 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 presented for purposes of additional analysis and are 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2016, 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. Schenk SL*

Certified Public Accountants  
Sheboygan, Wisconsin  
May 2, 2016

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Net Position**  
**December 31, 2015**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
<b>ASSETS</b>					
Cash and investments	\$ 56,210,651	\$ 15,531,087	\$ 71,741,738	\$ 3,925,322	\$ 20,964
Receivables					
Taxes	24,414,696	568,180	24,982,876	-	-
Accounts	1,153,525	1,857,342	3,010,867	5,682	11,667
Special assessments	818,965	510,892	1,329,857	-	-
Loans	8,333,592	-	8,333,592	-	-
Other	73,190	10,705	83,895	18,963	-
Internal balances	662,545	(662,545)	-	-	-
Due from other governments	528,217	378,937	907,154	45,990	-
Inventories and prepaid items	246,372	292,726	539,098	33,622	570
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	994,377	994,377	106,652	-
Capital assets, nondepreciable					
Land	16,391,989	887,683	17,279,672	346,943	-
Construction in progress	-	12,033,804	12,033,804	92,950	-
Capital assets, depreciable					
Buildings and improvements	32,814,756	20,059,113	52,873,869	8,501,866	-
Improvements other than buildings	13,805,709	26,660,073	40,465,782	-	9,291
Machinery and equipment	19,750,372	31,561,562	51,311,934	832,708	1,500
Infrastructure	119,943,077	61,819,466	181,762,543	-	-
Less: Accumulated depreciation	(100,715,000)	(83,474,557)	(184,189,557)	(7,296,106)	(4,413)
Other assets					
Net pension asset	5,195,916	730,087	5,926,003	-	-
<b>TOTAL ASSETS</b>	<b>201,834,237</b>	<b>89,758,932</b>	<b>291,593,169</b>	<b>6,614,592</b>	<b>39,579</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pension	5,302,257	942,792	6,245,049	-	-
<b>LIABILITIES</b>					
Accounts payable	1,553,881	1,357,250	2,911,131	27,690	11,620
Accrued and other current liabilities	3,367,212	711,954	4,079,166	167,809	1,555
Accrued interest payable	359,470	107,790	467,260	-	-
Due to other governments	915,119	1,417	916,536	-	-
Unearned revenues	1,476	10,177	11,653	1,336	-
Long-term Obligations					
Due within one year	6,127,511	1,470,067	7,597,578	-	-
Due in more than one year	33,340,421	19,620,410	52,960,831	34,319	-
<b>TOTAL LIABILITIES</b>	<b>45,665,090</b>	<b>23,279,065</b>	<b>68,944,155</b>	<b>231,154</b>	<b>13,175</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes	24,280,057	511,547	24,791,604	-	-
<b>NET POSITION</b>					
Net investment in capital assets	68,762,742	49,034,460	117,797,202	2,478,361	6,378
Restricted for					
Debt service	5,091,324	355,142	5,446,466	-	-
Tax incremental financing districts	3,273,651	-	3,273,651	-	-
Capital improvements	2,153,087	-	2,153,087	-	-
Community development	8,295,649	-	8,295,649	-	-
Cemetery perpetual care	852,583	-	852,583	-	-
Pension benefits	10,498,173	1,343,744	11,841,917	-	-
Library trust	1,218,272	-	1,218,272	-	-
Business improvement district	-	-	-	-	20,026
Housing assistance	-	-	-	26,494	-
Unrestricted	37,045,866	16,177,766	53,223,632	3,878,583	-
<b>TOTAL NET POSITION</b>	<b>\$ 137,191,347</b>	<b>\$ 66,911,112</b>	<b>\$ 204,102,459</b>	<b>\$ 6,383,438</b>	<b>\$ 26,404</b>

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 4,564,930	\$ 1,202,767	\$ 6,206	\$ -
Public safety	21,536,099	2,928,787	265,622	-
Public works	10,487,907	2,013,672	2,382,287	2,067,816
Health and human services	248,554	101,684	-	-
Culture and recreation	6,351,971	838,778	939,551	-
Conservation and development	3,794,389	32,625	1,033,599	-
Interest on debt	1,560,094	-	-	-
<b>Total Governmental Activities</b>	<b>48,543,944</b>	<b>7,118,313</b>	<b>4,627,265</b>	<b>2,067,816</b>
<b>Business-type Activities</b>				
Sewerage system	6,581,820	6,996,619	-	100,045
Water utility	5,696,692	8,144,392	-	696,387
Transit commission	4,484,699	836,955	2,644,412	-
Parking facility	389,148	377,104	-	-
Boat facility	84,605	96,004	-	-
<b>Total Business-type Activities</b>	<b>17,236,964</b>	<b>16,451,074</b>	<b>2,644,412</b>	<b>796,432</b>
<b>Total Primary Government</b>	<b>\$ 65,780,908</b>	<b>\$ 23,569,387</b>	<b>\$ 7,271,677</b>	<b>\$ 2,864,248</b>
<b>Component Units</b>				
Housing Authority of the City of Sheboygan	\$ 2,218,678	\$ 1,041,432	\$ 782,810	\$ -
Harbor Centre Business Improvement District	135,737	127,831	-	-
	<b>\$ 2,354,415</b>	<b>\$ 1,169,263</b>	<b>\$ 782,810</b>	<b>\$ -</b>

**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, as originally reported

Cumulative effect of change in accounting principle (Note D.8)

Cumulative effect of change in accounting principle (Note D.6)

Prior period adjustment (Note D.7)

Net position - January 1, restated

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

\$ (3,355,957)	\$ -	\$ (3,355,957)	\$ -	\$ -
(18,341,690)	-	(18,341,690)	-	-
(4,024,132)	-	(4,024,132)	-	-
(146,870)	-	(146,870)	-	-
(4,573,642)	-	(4,573,642)	-	-
(2,728,165)	-	(2,728,165)	-	-
(1,560,094)	-	(1,560,094)	-	-
<u>(34,730,550)</u>	<u>-</u>	<u>(34,730,550)</u>	<u>-</u>	<u>-</u>

-	514,844	514,844	-	-
-	3,144,087	3,144,087	-	-
-	(1,003,332)	(1,003,332)	-	-
-	(12,044)	(12,044)	-	-
-	11,399	11,399	-	-
-	<u>2,654,954</u>	<u>2,654,954</u>	<u>-</u>	<u>-</u>
<u>(34,730,550)</u>	<u>2,654,954</u>	<u>(32,075,596)</u>	<u>-</u>	<u>-</u>

-	-	-	(394,436)	-
-	-	-	-	(7,906)
-	-	-	<u>(394,436)</u>	<u>(7,906)</u>

21,165,546	511,547	21,677,093	-	-
3,572,015	-	3,572,015	-	-
1,993,435	-	1,993,435	-	-
12,148,337	-	12,148,337	-	-
1,095,318	180,976	1,276,294	95,698	41
246,267	63,038	309,305	31,205	-
-	9,535	9,535	-	-
1,445,191	(1,445,191)	-	-	-
<u>41,666,109</u>	<u>(680,095)</u>	<u>40,986,014</u>	<u>126,903</u>	<u>41</u>
<u>6,935,559</u>	<u>1,974,859</u>	<u>8,910,418</u>	<u>(267,533)</u>	<u>(7,865)</u>
118,098,461	63,329,875	181,428,336	6,650,971	34,269
(389,528)	(45,370)	(434,898)	-	-
10,546,855	1,651,748	12,198,603	-	-
2,000,000	-	2,000,000	-	-
<u>130,255,788</u>	<u>64,936,253</u>	<u>195,192,041</u>	<u>6,650,971</u>	<u>34,269</u>
<u>\$ 137,191,347</u>	<u>\$ 66,911,112</u>	<u>\$ 204,102,459</u>	<u>\$ 6,383,438</u>	<u>\$ 26,404</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2015

	General	Debt Service GO Debt	Debt Service TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 22,131,408	\$ 4,271,559	\$ 4,655,445	\$ 12,410,770	\$ 43,469,182
Receivables					
Taxes	15,095,022	2,886,889	3,062,794	3,369,991	24,414,696
Accounts	308,336	-	19,923	825,176	1,153,435
Special assessments	176,541	-	-	642,424	818,965
Loans	10,000	-	-	8,323,592	8,333,592
Other	34,008	8,184	7,355	8,554	58,101
Due from other funds	1,591,981	2,811,581	-	153,505	4,557,067
Advance to other funds	1,233,924	228,493	-	79,435	1,541,852
Due from other governments	15,405	-	-	512,812	528,217
Inventories and prepaid items	178,439	-	-	20,487	198,926
<b>TOTAL ASSETS</b>	<b>\$ 40,775,064</b>	<b>\$ 10,206,706</b>	<b>\$ 7,745,517</b>	<b>\$ 26,346,746</b>	<b>\$ 85,074,033</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 525,838	\$ -	\$ -	\$ 736,848	\$ 1,262,686
Accrued and other current liabilities	1,553,539	-	-	153,939	1,707,478
Due to other funds	-	-	95,713	3,350,199	3,445,912
Due to other governments	1,597	-	-	913,522	915,119
Unearned revenues	1,476	-	-	-	1,476
Advance from other funds	-	-	1,313,359	339,104	1,652,463
<b>Total Liabilities</b>	<b>2,082,450</b>	<b>-</b>	<b>1,409,072</b>	<b>5,493,612</b>	<b>8,985,134</b>
<b>Deferred Inflows of Resources</b>					
Property taxes	14,960,383	2,886,889	3,062,794	3,369,991	24,280,057
Special assessments	170,646	-	-	636,275	806,921
Loans receivable	-	-	-	7,437,906	7,437,906
Accounts receivable	-	228,493	-	161,432	389,925
<b>Total Deferred Inflows of Resources</b>	<b>15,131,029</b>	<b>3,115,382</b>	<b>3,062,794</b>	<b>11,605,604</b>	<b>32,914,809</b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventories and prepaid items	178,439	-	-	20,487	198,926
Long-term accounts and interfund receivables	1,625,589	-	-	-	1,625,589
Cemetery perpetual care	-	-	-	852,583	852,583
Library trust	-	-	-	600,000	600,000
<b>Restricted</b>					
Debt service	-	5,091,324	-	-	5,091,324
Tax incremental financing districts	-	-	3,273,651	-	3,273,651
Capital improvements	-	-	-	2,153,087	2,153,087
Community development	-	-	-	2,347,747	2,347,747
Library trust	-	-	-	618,272	618,272
<b>Committed</b>					
Development	350,000	-	-	-	350,000
Information technology	86,649	-	-	-	86,649
Transfer of dispatch services	2,500,000	-	-	-	2,500,000
Wildwood baseball park	-	-	-	40,000	40,000
<b>Assigned</b>					
Debt service	-	2,000,000	-	5,890,953	7,890,953
Subsequent year expenditures	914,984	-	-	-	914,984
Unassigned	17,905,924	-	-	(3,275,599)	14,630,325
<b>Total Fund Balances</b>	<b>23,561,585</b>	<b>7,091,324</b>	<b>3,273,651</b>	<b>9,247,530</b>	<b>43,174,090</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 40,775,064</b>	<b>\$ 10,206,706</b>	<b>\$ 7,745,517</b>	<b>\$ 26,346,746</b>	<b>\$ 85,074,033</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet (Continued)

Governmental Funds

December 31, 2015

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page \$ 43,174,090

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. 97,982,538

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:

Net pension asset 5,046,467  
Deferred outflows related to pension 5,144,627

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

Special assessments 806,921  
Accounts receivable 161,432  
Loans receivable 7,437,906  
Advance from other funds 228,493

Internal service funds reported in the statement of net position as governmental activities (see page 13) 17,036,275

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

Bonds and notes payable \$ (34,300,255)  
Bond premium (135,672)  
Bond discount 66,582  
Capital leases payable (664,163)  
Unfunded post employment benefits (1,450,704)  
Compensated absences (2,983,720)  
Accrued interest on long-term obligations (359,470) (39,827,402)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4) \$ 137,191,347

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, 2015**

	General	Debt Service GO Debt	Debt Service TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 16,160,234	\$ 2,886,889	\$ 3,856,512	\$ 3,827,361	\$ 26,730,996
Special assessments	-	-	-	257,859	257,859
Intergovernmental	14,297,099	-	31,753	2,141,822	16,470,674
Licenses and permits	1,257,930	-	-	628,636	1,886,566
Fines and forfeits	281,845	-	-	894,072	1,175,917
Public charges for services	1,536,080	-	-	2,177,253	3,713,333
Intergovernmental charges for services	234,997	-	-	-	234,997
Miscellaneous	658,371	591,236	90,422	1,053,823	2,393,852
<b>Total Revenues</b>	<b>34,426,556</b>	<b>3,478,125</b>	<b>3,978,687</b>	<b>10,980,826</b>	<b>52,864,194</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	3,886,099	150	-	523,513	4,409,762
Public safety	20,481,643	-	-	581,861	21,063,504
Public works	6,711,257	-	-	1,009,149	7,720,406
Health and human services	233,341	-	-	1,064	234,405
Culture and recreation	2,470,759	-	-	3,069,722	5,540,481
Conservation and development	565,125	-	806,693	1,365,968	2,737,786
<b>Debt service</b>					
Principal	-	3,265,734	1,799,951	83,900	5,149,585
Interest and fiscal charges	-	1,041,733	541,909	15,780	1,599,422
Capital outlay	-	-	-	2,621,067	2,621,067
<b>Total Expenditures</b>	<b>34,348,224</b>	<b>4,307,617</b>	<b>3,148,553</b>	<b>9,272,024</b>	<b>51,076,418</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	78,332	(829,492)	830,134	1,708,802	1,787,776
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	3,685,000	-	3,000,000	6,685,000
Premium on long-term debt issued	-	80,646	-	-	80,646
Sale of capital assets	19,218	-	-	464,194	483,412
Payment to current noteholder	-	(3,615,000)	-	-	(3,615,000)
Transfers in	2,904,358	1,247,964	-	276,629	4,428,951
Transfers out	(445,022)	-	(67,341)	(3,782,508)	(4,294,871)
<b>Total Other Financing Sources (Uses)</b>	<b>2,478,554</b>	<b>1,398,610</b>	<b>(67,341)</b>	<b>(41,685)</b>	<b>3,768,138</b>
<b>Net Change in Fund Balances</b>	<b>2,556,886</b>	<b>569,118</b>	<b>762,793</b>	<b>1,667,117</b>	<b>5,555,914</b>
<b>Fund Balances - January 1, as originally reported</b>	<b>21,004,699</b>	<b>4,522,206</b>	<b>2,510,858</b>	<b>7,580,413</b>	<b>35,618,176</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>
<b>Fund Balances - January 1, restated</b>	<b>21,004,699</b>	<b>6,522,206</b>	<b>2,510,858</b>	<b>7,580,413</b>	<b>37,618,176</b>
<b>Fund Balances - December 31</b>	<b>\$ 23,561,585</b>	<b>\$ 7,091,324</b>	<b>\$ 3,273,651</b>	<b>\$ 9,247,530</b>	<b>\$ 43,174,090</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds (Continued)**  
**For the Year Ended December 31, 2015**

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page		\$ 5,555,914
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	\$ 4,329,023	
Depreciation expense reported in the statement of activities	<u>(4,077,082)</u>	
Amount by which capital outlay is less than depreciation in current period		251,941
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.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ (709,200)	
Gain (loss) on disposition reported on the statement of activities	<u>374,849</u>	
Cost of assets disposed of		(334,351)
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:		
		(359,350)
Changes in the net pension 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.		
		(51,267)
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		
Special assessments levied	\$ 369,502	
Special assessment collections	<u>(384,143)</u>	
		(14,641)
Accounts receivable deferred and collected after the period of availability		8,474
Water utility's portion of unfunded pension liability payoff established in 2009		(12,785)
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.		
Loans issued	\$ 506,997	
Loan repayments received	<u>(986,549)</u>	
		(479,552)
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:		
		(6,685,000)
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:		
		8,764,585
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.		
		33,264
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.		
Bond premium		(67,589)
Bond discount		(6,843)
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.		<u>332,759</u>
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 5 - 6)		<u>\$ 6,935,559</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, 2015

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 16,168,895	\$ 16,168,895	\$ 16,160,234	\$ (8,661)
Intergovernmental	13,948,756	13,987,279	14,297,099	309,820
Licenses and permits	706,344	706,344	1,257,930	551,586
Fines and forfeits	337,100	352,347	281,845	(70,502)
Public charges for services	1,202,130	1,250,380	1,536,080	285,700
Intergovernmental charges for services	225,643	225,643	234,997	9,354
Miscellaneous	314,018	354,828	658,371	303,543
<b>Total Revenues</b>	<b>32,902,886</b>	<b>33,045,716</b>	<b>34,426,556</b>	<b>1,380,840</b>
<b>Expenditures</b>				
<b>General Government</b>				
Council	127,818	136,215	124,336	11,879
Mayor	453,471	460,391	406,054	54,337
City clerk	345,394	361,284	312,074	49,210
Elections	57,698	57,608	45,169	12,439
Finance	1,246,488	1,147,929	926,212	221,717
Assessor	430,486	430,486	399,850	30,636
Personnel	252,782	352,135	295,794	56,341
City attorney	447,869	464,869	452,784	12,085
City insurance	398,601	504,403	188,391	316,012
City buildings	796,031	861,766	735,074	126,692
Board of review	1,450	1,450	361	1,089
<b>Total General Government</b>	<b>4,558,088</b>	<b>4,778,536</b>	<b>3,886,099</b>	<b>892,437</b>
<b>Public Safety</b>				
Police	12,337,886	12,502,816	11,970,668	532,148
Fire	7,801,175	8,066,234	7,871,970	194,264
Building inspection	732,520	740,967	633,145	107,822
Emergency operations	1,200	1,200	999	201
Civil defense	18,455	18,455	4,861	13,594
<b>Total Public Safety</b>	<b>20,891,236</b>	<b>21,329,672</b>	<b>20,481,643</b>	<b>848,029</b>
<b>Public Works</b>				
Department of public works	253,144	253,144	244,056	9,088
Engineering	521,209	574,025	568,315	5,710
Streets department	3,962,654	4,211,693	3,735,611	476,082
Sanitation department	2,412,400	2,412,400	2,152,359	260,041
Incinerator	19,000	19,000	10,916	8,084
<b>Total Public Works</b>	<b>7,168,407</b>	<b>7,470,262</b>	<b>6,711,257</b>	<b>759,005</b>
<b>Health and Human Services</b>				
Cemetery	249,012	261,684	233,341	28,343

(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, 2015**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Culture and Recreation</b>				
Park department	2,365,470	2,484,043	2,310,398	173,645
Senior citizen center	179,053	180,303	160,361	19,942
<b>Total Culture and Recreation</b>	<b>2,544,523</b>	<b>2,664,346</b>	<b>2,470,759</b>	<b>193,587</b>
<b>Conservation and Development</b>				
City development	266,574	565,549	565,125	424
<b>Total Expenditures</b>	<b>35,677,840</b>	<b>37,070,049</b>	<b>34,348,224</b>	<b>2,721,825</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,774,954)</b>	<b>(4,024,333)</b>	<b>78,332</b>	<b>4,102,665</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	10,000	19,218	9,218
Transfers in	2,778,954	2,778,954	2,904,358	125,404
Transfers out	(4,000)	(448,595)	(445,022)	3,573
<b>Total Other Financing Sources (Uses)</b>	<b>2,774,954</b>	<b>2,340,359</b>	<b>2,478,554</b>	<b>138,195</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(1,683,974)</b>	<b>2,556,886</b>	<b>4,240,860</b>
<b>Fund Balance - January 1</b>	<b>21,004,699</b>	<b>21,004,699</b>	<b>21,004,699</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 21,004,699</b>	<b>\$ 19,320,725</b>	<b>\$ 23,561,585</b>	<b>\$ 4,240,860</b>

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, 2015

	Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Transit Commission	Nonmajor Enterprise Funds		
<b>ASSETS</b>						
Cash and investments	\$ 6,318,712	\$ 5,573,804	\$ 2,442,945	\$ 1,195,626	\$ 15,531,087	\$ 12,741,469
Receivables						
Taxes	50,254	-	511,547	6,379	568,180	-
Accounts	786,812	1,036,567	4,382	29,581	1,857,342	90
Special assessments	-	420,305	-	90,587	510,892	-
Other	6,916	-	2,106	1,683	10,705	15,089
Due from other governments	-	140,278	238,659	-	378,937	-
Inventories and prepaid items	-	288,109	4,617	-	292,726	47,446
Restricted assets						
Cash and investments	-	994,377	-	-	994,377	-
Advance to other funds	-	-	-	339,104	339,104	-
Deposit with CVMIC	-	-	-	-	-	2,205,665
Capital assets, nondepreciable						
Land	2,000	133,671	35,754	716,258	887,683	-
Construction in progress	7,688,288	4,049,911	-	295,605	12,033,804	-
Capital assets, depreciable						
Buildings and improvements	12,371,095	6,935,604	738,173	14,241	20,059,113	-
Improvements other than buildings	23,905,496	-	872,007	1,882,570	26,660,073	-
Machinery and equipment	14,390,104	11,090,479	5,866,187	214,792	31,561,562	12,767,620
Infrastructure	23,990,434	37,829,032	-	-	61,819,466	-
Less: Accumulated depreciation	(58,103,052)	(17,294,526)	(6,111,979)	(1,965,000)	(83,474,557)	(8,759,255)
Other assets						
Net pension asset	176,671	268,255	273,365	11,796	730,087	149,449
<b>TOTAL ASSETS</b>	<b>31,583,730</b>	<b>51,465,866</b>	<b>4,877,763</b>	<b>2,833,222</b>	<b>90,760,581</b>	<b>19,167,573</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pension	230,977	329,135	371,825	10,855	942,792	157,630
<b>LIABILITIES</b>						
Accounts payable	502,450	772,197	55,449	27,154	1,357,250	291,195
Accrued and other current liabilities	51,688	572,806	84,328	3,132	711,954	1,659,734
Accrued interest payable	40,921	66,869	-	-	107,790	-
Due to other funds	-	1,111,155	-	-	1,111,155	-
Due to other governments	-	-	-	1,417	1,417	-
Unearned revenues	10,084	-	-	93	10,177	-
Advance from other funds	-	228,493	-	-	228,493	-
Long-term obligations						
Due within one year	683,877	786,190	-	-	1,470,067	-
Due in more than one year	9,306,404	10,314,006	-	-	19,620,410	-
<b>TOTAL LIABILITIES</b>	<b>10,595,424</b>	<b>13,851,716</b>	<b>139,777</b>	<b>31,796</b>	<b>24,618,713</b>	<b>1,950,929</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	-	-	511,547	-	511,547	-
<b>NET POSITION</b>						
Net investment in capital assets	14,254,084	32,221,768	1,400,142	1,158,466	49,034,460	4,008,365
Restricted for						
Pension benefits	407,648	268,255	645,190	22,651	1,343,744	307,079
Debt service	-	355,142	-	-	355,142	-
Unrestricted	6,557,551	5,098,120	2,552,932	1,631,164	15,839,767	13,058,830
<b>TOTAL NET POSITION</b>	<b>\$ 21,219,283</b>	<b>\$ 37,943,285</b>	<b>\$ 4,598,264</b>	<b>\$ 2,812,281</b>	<b>66,573,113</b>	<b>17,374,274</b>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					337,999	(337,999)
Net Position, as reported in the Statement of Net Position in the government-wide financial statements					<u>\$ 66,911,112</u>	<u>\$ 17,036,275</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, 2015**

	Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Transit Commission	Nonmajor Enterprise Funds		
<b>Operating Revenues</b>						
Charges for services	\$ 6,944,693	\$ 8,014,392	\$ 755,067	\$ 465,489	\$ 16,179,641	\$ 10,083,922
Other	51,926	130,000	81,888	7,619	271,433	71,241
<b>Total Operating Revenues</b>	<b>6,996,619</b>	<b>8,144,392</b>	<b>836,955</b>	<b>473,108</b>	<b>16,451,074</b>	<b>10,155,163</b>
<b>Operating Expenses</b>						
Personal services	2,003,832	1,836,568	2,936,771	170,331	6,947,502	1,351,149
Contractual services	1,928,478	1,640,820	236,114	216,994	4,022,406	1,228,826
Supplies and materials	1,049,482	265,470	482,146	46,656	1,843,754	282,585
Insurance	34,293	139,150	123,010	989	297,442	7,958,188
Other	122,647	221,810	5,849	4,590	354,896	40,857
Depreciation	1,127,331	1,231,790	558,299	26,930	2,944,350	781,729
<b>Total Operating Expenses</b>	<b>6,266,063</b>	<b>5,335,608</b>	<b>4,342,189</b>	<b>466,490</b>	<b>16,410,350</b>	<b>11,643,334</b>
<b>Operating Income (Loss)</b>	<b>730,556</b>	<b>2,808,784</b>	<b>(3,505,234)</b>	<b>6,618</b>	<b>40,724</b>	<b>(1,488,171)</b>
<b>Nonoperating Revenues (Expenses)</b>						
Property taxes	-	-	511,547	-	511,547	-
Intergovernmental	-	-	2,644,412	-	2,644,412	-
Investment income	122,491	9,128	24,678	24,679	180,976	176,777
Miscellaneous revenues (expenses)	-	-	55,372	6,845	62,217	-
Interest expense	(230,172)	(361,084)	-	-	(591,256)	-
Amortization of premium	-	821	-	-	821	-
Gain (loss) on disposal of assets	9,535	-	(24,305)	-	(14,770)	121,989
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(98,146)</b>	<b>(351,135)</b>	<b>3,211,704</b>	<b>31,524</b>	<b>2,793,947</b>	<b>298,766</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>632,410</b>	<b>2,457,649</b>	<b>(293,530)</b>	<b>38,142</b>	<b>2,834,671</b>	<b>(1,189,405)</b>
Capital contributions	100,045	696,387	-	-	796,432	-
Transfers in	-	-	-	5,606	5,606	1,436,111
Transfers out	(362,970)	(1,086,286)	(1,541)	-	(1,450,797)	(125,000)
<b>Change in Net Position</b>	<b>369,485</b>	<b>2,067,750</b>	<b>(295,071)</b>	<b>43,748</b>	<b>2,185,912</b>	<b>121,706</b>
<b>Net Position - January 1, as originally reported</b>	<b>20,478,656</b>	<b>35,309,782</b>	<b>4,239,254</b>	<b>2,753,131</b>	<b>62,780,823</b>	<b>17,019,584</b>
Cumulative effect of change in accounting principle (Note D.8)	(26,479)	-	(14,095)	(4,796)	(45,370)	(71,510)
Cumulative effect of change in accounting principle (Note D.6)	397,621	565,753	668,176	20,198	1,651,748	304,494
<b>Net position - January 1, restated</b>	<b>20,849,798</b>	<b>35,875,535</b>	<b>4,893,335</b>	<b>2,768,533</b>	<b>64,387,201</b>	<b>17,252,568</b>
<b>Net Position - December 31</b>	<b>\$ 21,219,283</b>	<b>\$ 37,943,285</b>	<b>\$ 4,598,264</b>	<b>\$ 2,812,281</b>	<b>\$ 66,573,113</b>	<b>\$ 17,374,274</b>
Change in net position, as reported above					\$ 2,185,912	\$ 121,706
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					(211,053)	211,053
<b>Change in Net Position, as reported in the Statement of Activities in the government-wide financial statements</b>					<b>\$ 1,974,859</b>	<b>\$ 332,759</b>

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, 2015**

	Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Transit Commission	Nonmajor Enterprise Funds		
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 6,983,349	\$ 8,170,339	\$ 952,765	\$ 435,016	\$ 16,541,469	\$ 10,227,282
Payments to suppliers	(3,036,052)	(2,641,105)	(867,048)	(250,514)	(6,794,719)	(9,306,109)
Payments to employees	(2,013,859)	(1,471,456)	(2,986,968)	(175,250)	(6,647,533)	(1,381,658)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,933,438</b>	<b>4,057,778</b>	<b>(2,901,251)</b>	<b>9,252</b>	<b>3,099,217</b>	<b>(460,485)</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>						
Property taxes	-	-	511,547	-	511,547	-
Intergovernmental grants	-	-	2,644,412	-	2,644,412	-
Nonoperating revenue	-	-	55,372	-	55,372	-
Transfer in (out)	(362,970)	(1,062,779)	(1,541)	5,606	(1,421,684)	1,311,111
Advances from other funds	-	(12,785)	-	(4,351)	(17,136)	-
Interest on advance from other funds	-	(6,784)	-	-	(6,784)	-
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>(362,970)</b>	<b>(1,082,348)</b>	<b>3,209,790</b>	<b>1,255</b>	<b>1,765,727</b>	<b>1,311,111</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition of capital assets	(696,307)	(3,334,548)	(3,979)	(295,605)	(4,330,439)	(706,307)
Proceeds from sale of capital assets	9,535	-	-	-	9,535	121,989
Proceeds of capital debt	167,585	1,474,215	-	-	1,641,800	-
Principal payments on capital debt	(1,208,242)	(713,733)	-	-	(1,921,975)	-
Interest payments on capital debt	(235,942)	(354,664)	-	-	(590,606)	-
Special assessment collections	380	112,954	-	-	113,334	-
Capital contributions from municipality	100,045	-	-	-	100,045	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(1,862,946)</b>	<b>(2,815,776)</b>	<b>(3,979)</b>	<b>(295,605)</b>	<b>(4,978,306)</b>	<b>(584,318)</b>
<b>Cash Flows from Investing Activities</b>						
Interest received	122,491	9,128	24,678	24,679	180,976	176,777
<b>Change in Cash and Cash Equivalents</b>	<b>(169,987)</b>	<b>168,782</b>	<b>329,238</b>	<b>(260,419)</b>	<b>67,614</b>	<b>443,085</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>6,488,699</b>	<b>6,399,399</b>	<b>2,113,707</b>	<b>1,456,045</b>	<b>16,457,850</b>	<b>12,298,384</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 6,318,712</b>	<b>\$ 6,568,181</b>	<b>\$ 2,442,945</b>	<b>\$ 1,195,626</b>	<b>\$ 16,525,464</b>	<b>\$ 12,741,469</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Transit Commission	Nonmajor Enterprise Funds		
<b>Reconciliation to Statement of Net Position</b>						
Unrestricted cash and investments	\$ 6,318,712	\$ 5,573,804	\$ 2,442,945	\$ 1,195,626	\$ 15,531,087	\$ 12,741,469
Restricted cash and investments	-	994,377	-	-	994,377	-
	<u>\$ 6,318,712</u>	<u>\$ 6,568,181</u>	<u>\$ 2,442,945</u>	<u>\$ 1,195,626</u>	<u>\$ 16,525,464</u>	<u>\$ 12,741,469</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 730,556	\$ 2,808,784	\$ (3,505,234)	\$ 6,618	\$ 40,724	\$ (1,488,171)
Adjustments to reconcile operating income (loss) to net cash provided by (used) by operating activities						
Depreciation	1,127,331	1,231,790	558,299	26,930	2,944,350	781,729
Depreciation charged to clearing and other funds	-	180,722	-	-	180,722	-
Miscellaneous income	-	-	-	6,845	6,845	-
Change in pension related assets and deferred outflows	(10,027)	(31,637)	22,986	(2,453)	(21,131)	(2,585)
Changes in assets and liabilities						
Receivables	(13,564)	(696)	(1,935)	(18,467)	(34,662)	72,119
Due from other governments	-	(51,521)	117,745	-	66,224	-
Inventories and prepaid items	-	41,111	15,247	-	56,358	1,832
Accounts payable	138,658	27,919	(35,176)	17,992	149,393	195,037
Accrued and other current liabilities	(39,810)	(148,694)	(73,183)	(2,466)	(264,153)	(20,446)
Due to other governments	-	-	-	723	723	-
Unearned revenues	294	-	-	(26,470)	(26,176)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,933,438</u>	<u>\$ 4,057,778</u>	<u>\$ (2,901,251)</u>	<u>\$ 9,252</u>	<u>\$ 3,099,217</u>	<u>\$ (460,485)</u>
<b>Noncash Investing, Capital and Financing Activities</b>						
Amortization of premium	\$ -	\$ 821	\$ -	\$ -	\$ 821	\$ -
Capital contributions	\$ -	\$ 696,387	\$ -	\$ -	\$ 696,387	\$ -

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, 2015

	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 26,312,658	\$ 12,498	\$ 26,325,156
Receivables			
Taxes	16,037,372	131,592	16,168,964
Special assessments	-	2,655	2,655
<b>TOTAL ASSETS</b>	<b>\$ 42,350,030</b>	<b>\$ 146,745</b>	<b>\$ 42,496,775</b>
<b>LIABILITIES</b>			
Liabilities			
Accounts payable	\$ 1,078	\$ -	\$ 1,078
Due to other governments	42,348,952	146,745	42,495,697
<b>Total Liabilities</b>	<b>\$ 42,350,030</b>	<b>\$ 146,745</b>	<b>\$ 42,496,775</b>

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, 2015

**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 financial 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, 2015 for the Housing Authority and December 31, 2015 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 621 S. 8<sup>th</sup> Street, Sheboygan, WI 53081.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**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.

**DEBT SERVICE TAX INCREMENTAL FINANCING DISTRICTS FUND**

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

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**TRANSIT COMMISSION**

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

*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	E.H. May Environmental Park
Cable TV	Municipal Court
Tourism Promotion	Ambulance
Harbor Center Marina	Storm Water

*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.

*Permanent funds* are used to report resources that are legally restricted to the extent that only earnings, 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:

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, 2015

**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, 2015

**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 amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with an original maturity of three months or less from the date of acquisition 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 personally 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, 2015

**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 fair 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:

<u>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Buildings and improvements	25 - 45	25 - 45
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. Only benefits considered to be vested are disclosed in these statements.

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. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities are determined on the basis of current salary rates and include salary related payments.

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 one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. 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, 2015

**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. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments expected to be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not expected to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund financial statements. Claims and judgments in the government-wide financial statements and proprietary funds are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at the end of the year.

k. Pensions

For purposes of measuring the net pension 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.

l. 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. These constraints can only be removed or changed by the Common Council using the same action that was used to create them.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

**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

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)**

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.
- 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, 2015.

2. Deficit Fund Equity

The following fund had deficit fund balance as of December 31, 2015:

Fund	Deficit Fund Balance
Nonmajor Special Revenue Fund Harbor Center Marina	\$ 3,255,112

The City anticipates funding the above deficit from future revenues of the fund.

**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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

The carrying amount of the City's cash and investments totaled \$99,061,271 on December 31, 2015 as summarized below:

Petty cash funds	\$ 7,041
Deposits with financial institutions	9,511,861
Investments	
Cash held by brokerage firm	1,563
Certificates of deposit	7,486,769
Federal agency securities	36,108,124
Money market mutual funds	29,357,607
Municipal bonds	1,769,362
Mutual funds	12,599,432
Wisconsin local government investment pool	2,219,512
	\$ 99,061,271

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and investments	\$ 71,741,738
Restricted cash and investments	994,377
Fiduciary Funds Statement of Net Position	
Agency funds	26,325,156
	\$ 99,061,271

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, 2015, \$1,928,680 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2015

**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 yearend for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	AA	A	Not Rated
Cash held by brokerage firm	\$ 1,563	\$ -	\$ -	\$ -	\$ -	\$ 1,563
Certificates of deposit	7,486,769	-	-	-	-	7,486,769
Federal National MTG Assn	9,054,508	-	9,054,508	-	-	-
Federal Home Loan MTG Corp	7,842,871	-	7,842,871	-	-	-
Federal Home Loan Bank	11,993,853	-	11,993,853	-	-	-
Federal Farm Credit Bank	7,216,892	-	7,216,892	-	-	-
Money market mutual funds	29,357,607	-	-	-	-	29,357,607
Corporate bonds	100,067	-	-	-	-	100,067
Municipal bonds	1,669,295	-	-	-	-	1,669,295
Mutual funds	12,599,432	-	-	-	-	12,599,432
Wisconsin local government investment pool	2,219,512	-	-	-	-	2,219,512
<b>Totals</b>	<b>\$89,542,369</b>	<b>\$ -</b>	<b>\$36,108,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$53,434,245</b>

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	\$ 9,054,508	10%
Federal Home Loan MTG Corp	Federal Agency Securities	7,842,871	9%
Federal Home Loan Bank	Federal Agency Securities	11,993,853	13%
Federal Farm Credit Bank	Federal Agency Securities	7,216,892	8%

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**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
Cash held by brokerage firm	\$ 1,563	\$ 1,563	\$ -	\$ -	\$ -
Certificates of deposit	7,486,769	897,143	1,344,143	4,749,825	495,658
Federal National MTG Assn	9,054,508	-	100,375	8,954,133	-
Federal Home Loan MTG Corp	7,842,871	-	7,501,725	341,146	-
Federal Home Loan Bank	11,993,853	-	-	11,716,560	277,293
Federal Farm Credit Bank	7,216,892	-	2,094,609	5,122,283	-
Money market mutual funds	29,357,607	29,357,607	-	-	-
Corporate bonds	100,067	100,067	-	-	-
Municipal bonds	1,669,295	40,287	-	1,066,082	562,926
Mutual funds	12,599,432	12,349,782	149,607	100,043	-
Wisconsin local government investment pool	2,219,512	2,219,512	-	-	-
<b>Totals</b>	<b>\$ 89,542,369</b>	<b>\$ 44,965,961</b>	<b>\$ 11,190,459</b>	<b>\$ 32,050,072</b>	<b>\$ 1,335,877</b>

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	\$ 9,054,508
Federal Home Loan MTG Corp	7,842,871
Federal Home Loan Bank	11,993,853
Federal Farm Credit Bank	7,216,892
	<u>\$ 36,108,124</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$2,219,512 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, 2015, 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, 2015

**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	\$ 416,584
Redemption account	<u>577,793</u>
Total Restricted Assets	<u><u>\$ 994,377</u></u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Change in Accounting Principle	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 16,361,663	\$ 364,677	\$ -	\$ 334,351	\$ 16,391,989
Construction in progress	359,807	-	-	359,807	-
Total capital assets, not being depreciated	<u>16,721,470</u>	<u>364,677</u>	<u>-</u>	<u>694,158</u>	<u>16,391,989</u>
Capital assets, being depreciated:					
Buildings and improvements	32,814,756	-	-	-	32,814,756
Improvements other than buildings	13,805,709	-	-	-	13,805,709
Machinery and equipment	24,192,166	2,093,352	(5,417,237)	1,117,909	19,750,372
Infrastructure	117,005,969	2,937,108	-	-	119,943,077
Subtotals	<u>187,818,600</u>	<u>5,030,460</u>	<u>(5,417,237)</u>	<u>1,117,909</u>	<u>186,313,914</u>
Less accumulated depreciation for:					
Buildings and improvements	14,976,869	700,686	-	-	15,677,555
Improvements other than buildings	10,861,244	307,137	-	-	11,168,381
Machinery and equipment	18,817,157	1,487,456	(5,027,709)	1,117,909	14,158,995
Infrastructure	57,346,537	2,363,532	-	-	59,710,069
Subtotals	<u>102,001,807</u>	<u>4,858,811</u>	<u>(5,027,709)</u>	<u>1,117,909</u>	<u>100,715,000</u>
Total capital assets, being depreciated, net	<u>85,816,793</u>	<u>171,649</u>	<u>(389,528)</u>	<u>-</u>	<u>85,598,914</u>
Governmental activities capital assets, net	<u>\$ 102,538,263</u>	<u>\$ 536,326</u>	<u>\$ (389,528)</u>	<u>\$ 694,158</u>	<u>101,990,903</u>
Less: General obligation debt					33,075,255
Less: Mortgage notes					225,000
Less: Capital lease					664,163
Less: Sheboygan County					1,000,000
Less: Bond premium					135,672
Add: Bond discount					(66,582)
Add: Unspent Bond Proceeds					<u>(1,805,347)</u>
Net investment in capital assets					<u>\$ 68,762,742</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Increases	Change in Accounting Principle	Decreases	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 887,683	\$ -	\$ -	\$ -	\$ 887,683
Construction in progress	8,254,717	5,210,680	-	1,431,593	12,033,804
Total capital assets, not being depreciated	<u>9,142,400</u>	<u>5,210,680</u>	<u>-</u>	<u>1,431,593</u>	<u>12,921,487</u>
Capital assets, being depreciated:					
Buildings and improvements	20,190,107	-	-	130,994	20,059,113
Improvements other than buildings	26,660,073	-	-	-	26,660,073
Machinery and equipment	31,377,718	1,153,966	(584,669)	385,453	31,561,562
Infrastructure	60,967,613	1,047,029	-	195,176	61,819,466
Subtotals	<u>139,195,511</u>	<u>2,200,995</u>	<u>(584,669)</u>	<u>711,623</u>	<u>140,100,214</u>
Less accumulated depreciation for:					
Buildings and improvements	13,551,433	512,056	-	12,213	14,051,276
Improvements other than buildings	19,985,628	332,637	-	-	20,318,265
Machinery and equipment	23,770,315	1,155,318	(539,299)	361,414	24,024,920
Infrastructure	24,150,210	1,125,061	-	195,175	25,080,096
Subtotals	<u>81,457,586</u>	<u>3,125,072</u>	<u>(539,299)</u>	<u>568,802</u>	<u>83,474,557</u>
Total capital assets, being depreciated, net	<u>57,737,925</u>	<u>(924,077)</u>	<u>(45,370)</u>	<u>142,821</u>	<u>56,625,657</u>
Business-type activities capital assets, net	<u>\$ 66,880,325</u>	<u>\$ 4,286,603</u>	<u>\$ (45,370)</u>	<u>\$ 1,574,414</u>	<u>69,547,144</u>
Less: Revenue bonds					20,499,785
Less: Bond premium					<u>12,899</u>
Net investment in capital assets					<u>\$ 49,034,460</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

<b>Governmental activities</b>		
General government	\$	39,501
Public safety		817,023
Public works		2,371,625
Culture and recreation		415,994
Conservation and development		432,939
Internal service funds allocated to other activities		781,729
Total depreciation expense - governmental activities	<u>\$</u>	<u>4,858,811</u>
<b>Business-type activities</b>		
Sewerage system	\$	1,127,331
Water utility		
Depreciation expense		1,231,790
Depreciation expense allocated to clearing accounts		180,722
Transit commission		558,299
Parking facility		5,451
Boat facility		21,479
Total depreciation expense - business-type activities	<u>\$</u>	<u>3,125,072</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, 2015 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 169,591	\$ -
	Debt service fund - TIF districts	95,713	-
	Special revenue fund - Harbor Center Marina	215,522	215,522
	Enterprise fund - Water utility	1,111,155	-
	Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	2,811,581
Library Trust	Mead Library	153,505	-
Subtotal - Fund Financial Statements		4,557,067	215,522
Less: Fund eliminations		<u>(3,445,912)</u>	<u>(215,522)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ 1,111,155</u>	<u>\$ -</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**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	\$ 1,233,924	\$ 1,233,924
Debt service fund - GO debt	Enterprise fund - Water utility	228,493	-
Capital projects fund - Tax levy	Debt service fund - TIF districts	79,435	-
		<u>1,541,852</u>	<u>1,233,924</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	339,104	-
Subtotal - Fund Financial Statements		1,880,956	1,233,924
Less: Fund eliminations		(1,313,359)	(1,233,924)
Less: Enterprise portion of advance		<u>(678,208)</u>	<u>-</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ (110,611)</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	\$ 1,111,155
Interfund advances	(110,611)
Internal service fund allocation to business-type activities	<u>(337,999)</u>
Total Internal Balances - Government-wide Statement of Net Position	<u>\$ 662,545</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended December 31, 2015 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 1,086,286
	Enterprise fund - Sewerage system	249,869
	Permanent fund - Cemetery perpetual care	1,002
	Special revenue fund - Cable TV	275,000
	Special revenue fund - Tourism promotion	51,248
	Special revenue fund - Municipal court	378,651
	Special revenue fund - Ambulance	737,302
	Internal service fund - Motor vehicle fund	125,000
Special revenue fund - Mead library	General fund	119,546
Special revenue fund - Meg unit	General fund	3,578
Debt service fund - GO debt	Debt service fund - TIF districts	67,341
	Special revenue fund - Tourism promotion	708,005
	Special revenue fund - Special assessment	448,368
	Capital projects fund - Bonded	24,250
		<u>4,275,446</u>
Enterprise fund - Parking facility	General fund	429
	Capital projects fund - Tax levy	5,177
		<u>5,606</u>
Internal service fund - Motor Vehicle	Capital projects fund - Bonded	<u>1,000,000</u>
Internal service fund - Data Processing	General fund	321,469
	Enterprise fund - Sewerage system	113,101
	Enterprise fund - Transit	1,541
		<u>436,111</u>
Permanent fund - Library trust	Special revenue fund - Mead library	<u>153,505</u>
Subtotal - Fund Financial Statements		<u>\$ 5,870,668</u>
Government fund transfers in		\$ 4,275,446
Less: Fund eliminations		(2,830,255)
Total Transfers - Government-wide Statement of Activities		<u>\$ 1,445,191</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, 2015

**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, 2015:

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 25,780,000	\$ 2,375,000	\$ 4,880,000	\$ 23,275,000	\$ 2,860,000
Notes	9,185,437	4,310,000	3,695,182	9,800,255	2,085,726
Total General Obligation Debt	34,965,437	6,685,000	8,575,182	33,075,255	4,945,726
Bond premium	68,083	80,646	13,057	135,672	18,189
Bond discount	(73,425)	-	(6,843)	(66,582)	(6,843)
Mortgage notes	225,000	-	-	225,000	-
Capital lease	853,566	-	189,403	664,163	109,504
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded post employment benefits	1,216,643	565,061	331,000	1,450,704	-
Compensated absences	2,858,431	245,831	120,542	2,983,720	1,060,935
Governmental activities Long-term obligations	<u>\$ 41,113,735</u>	<u>\$ 7,576,538</u>	<u>\$ 9,222,341</u>	<u>\$ 39,467,932</u>	<u>\$ 6,127,511</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 21,107,993	\$ 1,641,800	\$ 1,672,215	\$ 21,077,578	\$ 1,470,067
Unamortized bond premium	13,720	-	821	12,899	-
Alliant Energy notes	249,760	-	249,760	-	-
Business-type activities Long-term obligations	<u>\$ 21,371,473</u>	<u>\$ 1,641,800</u>	<u>\$ 1,922,796</u>	<u>\$ 21,090,477</u>	<u>\$ 1,470,067</u>

Total interest paid during the year on long-term debt totaled \$2,047,748.

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, 2015

**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, 2015 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/15
<b>General Obligation Debt</b>					
<b>General Obligation Bonds</b>					
Refunding Bonds	07/01/06	4.00-4.10%	10/01/22	\$ 5,155,000	\$ 2,675,000
Refunding Bonds	07/01/06	5.60-6.00%	10/01/22	8,575,000	4,900,000
General Obligation Bonds	09/01/07	4.5-5%	10/01/26	8,000,000	7,300,000
Taxable Refunding Bonds	06/23/10	3.00-5.25%	04/01/27	8,325,000	5,480,000
Refunding Bonds	11/09/10	1.70-2.40%	10/01/19	2,530,000	545,000
Refunding Bonds	08/04/15	1.00-1.25%	11/01/18	2,375,000	2,375,000
<b>Total General Obligation Bonds</b>					<u><u>23,275,000</u></u>
<b>General Obligation Notes</b>					
Land Recycling Loan	12/23/02	0%	05/01/22	\$ 2,700,000	560,903
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	318,579
State Trust Fund Notes	07/05/06	4.00%	03/15/16	220,000	25,773
<b>Promissory Notes</b>					
(Build America Bonds)	06/23/10	3.15-4.20%	04/01/20	2,045,000	1,090,000
Promissory Notes	09/29/11	1.75%	10/01/16	670,000	135,000
Promissory Notes	05/10/12	1.50-2.125%	04/01/22	4,745,000	3,360,000
Promissory Notes	08/04/15	2.00-2.125%	10/01/24	4,310,000	4,310,000
<b>Total General Obligation Notes</b>					<u><u>9,800,255</u></u>
<b>Total</b>					<u><u>\$ 33,075,255</u></u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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 \$33,075,255 on December 31, 2015 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2016	\$ 4,945,726	\$ 1,104,565	\$ 6,050,291
2017	4,494,952	986,248	5,481,200
2018	4,239,951	871,603	5,111,554
2019	3,394,951	744,959	4,139,910
2020	3,379,952	621,440	4,001,392
2021-2025	10,864,723	1,465,568	12,330,291
2026-2027	1,755,000	89,504	1,844,504
	<u>\$ 33,075,255</u>	<u>\$ 5,883,887</u>	<u>\$ 38,959,142</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2015 was \$97,666,320 as follows:

Equalized valuation of the City	\$ 2,407,532,000
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	120,376,600
Total outstanding general obligation debt applicable to debt limitation	\$ 33,075,255
Less: Amounts available for financing general obligation debt	
Debt service funds	10,364,975 <sup>n</sup>
Net outstanding general obligation debt applicable to debt limitation	22,710,280
Legal Margin for New Debt	\$ 97,666,320

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, 2015.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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
2016	\$ 109,504	\$ 24,755	\$ 134,259
2017	113,677	20,593	134,270
2018	117,996	16,263	134,259
2019	122,492	11,758	134,250
2020	127,189	7,070	134,259
2021	73,305	2,192	75,497
	<u>\$ 664,163</u>	<u>\$ 82,631</u>	<u>\$ 746,794</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.

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, 2015 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/15
<b>Sewerage System</b>					
Clean Water Fund Loan	11/25/96	3.195%	05/01/16	\$ 3,250,000	\$ 225,319
Clean Water Fund Loan	05/26/10	2.400%	05/01/30	2,747,622	2,267,326
Clean Water Fund Loan	10/23/13	2.625%	05/01/33	7,645,560	7,497,636
Total Sewerage System					<u>9,990,281</u>
<b>Water Utility</b>					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	1,528,082
Refunding Revenue Bonds	09/01/05	3.75-4.25%	06/01/25	4,900,000	2,360,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	2,925,000
Revenue Bonds	04/03/13	2.00-3.50%	05/01/33	3,000,000	2,800,000
Revenue Bonds	05/13/15	1.65%	05/01/35	1,474,215	1,474,215
Total Water Utility					<u>11,087,297</u>
Total Revenue Bonds					<u>\$ 21,077,578</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$21,077,578 on December 31, 2015 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,470,067	\$ 600,735	\$ 2,070,802
2017	1,262,303	560,775	1,823,078
2018	1,285,308	522,949	1,808,257
2019	1,328,774	483,725	1,812,499
2020	1,352,713	443,286	1,795,999
2021-2025	6,943,386	1,575,410	8,518,796
2026-2030	4,940,722	644,384	5,585,106
2031-2035	2,494,305	107,381	2,601,686
	<u>\$ 21,077,578</u>	<u>\$ 4,938,645</u>	<u>\$ 26,016,223</u>

Utility Revenues Pledged

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the water and sewer 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 \$26,016,223. Principal and interest paid for the current year and net customer revenues for the water utility were \$1,068,666 and \$4,049,701, respectively. Principal and interest paid for the current year and net customer revenues for the sewer utility were \$1,225,567 and \$1,857,887, 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 Refunding

During 2015, the City currently refunded a general obligation bond issue from 2006 as well as two general obligation promissory note issuances from 2007 and 2008. The City issued \$2,375,000 of general obligation refunding bonds and \$1,280,000 of general obligation promissory notes to call the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next 3 years by \$215,851 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$217,961.

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, 2015, there were 6 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$17,202,144.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION**

1. 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.

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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

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
2005	2.6%	7%
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%

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 \$2,373,726 in contributions from the City.

Contribution rates as of December 31, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

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

At December 31, 2015, the City reported an asset of \$5,926,003 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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 asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City's proportion was 0.24125991%, which was a decrease of 0.00342638% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$2,353,617.

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 859,086
Net differences between projected and actual earnings on pension plan investments	2,869,657
Changes in proportion and differences between employer contributions and proportionate share of contributions	123,394
Employer contributions subsequent to the measurement date	2,392,912
Total	\$ 6,245,049

\$2,392,912 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 asset in the year ended December 31, 2016. 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 Outflow of Resources
2015	\$ 878,240
2016	878,240
2017	878,240
2018	878,240
2019	339,177

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset:	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
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, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 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:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (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 3.56%. 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 asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension 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 asset (liability)	\$ (16,718,276)	\$ 5,926,003	\$ 23,809,540

*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://legis.wisconsin.gov/lab/> and reference report number 15-11.

f. Payable to the WRS

At December 31, 2015, the City reported a payable of \$575,309 for outstanding contributions to the pension plan for the year ended December 31, 2015.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

2. 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 442 active and 56 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.

Component	Amount
Annual required contribution	\$ 593,753
Interest on net OPEB	60,833
Adjustment to annual required contribution	<u>(89,525)</u>
Annual OPEB cost (expense)	565,061
Contributions made	<u>(331,000)</u>
Change in net OPEB obligation	234,061
OPEB obligation - beginning of year	<u>1,216,643</u>
OPEB obligation - end of year	<u><u>\$ 1,450,704</u></u>

The annual required contribution for the current year was determined as part of the January 1, 2014 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 4.0% discount rate, (b) projected salary increases at 3%, and (c) 3% 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.

*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 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 565,061	59%	\$ 1,450,704
12/31/2014	476,500	14%	1,216,643
12/31/2013	396,474	127%	807,996

*Funded Status and Funding Progress* - As of January 1, 2014, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$4,879,620. The annual payroll for active employees covered by the plan for the 2014 fiscal year was \$26,387,532 for a ratio of the UAAL to covered payroll of 18.5%.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

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.

In the January 1, 2014 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a rate of 4% 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 fifteen years. The UAAL is being amortized as a level dollar amount on an open basis.

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 \$145,000 per person. In addition, there is a minimum aggregate deductible for the current policy year which is the greater of \$5,969,387 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. \$9,752,226 was available for that reserve at year end, and is included in unrestricted net position of the internal service funds.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

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 and workers compensation 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
<b>Health Insurance</b>				
2015	\$ 1,327,199	\$ 7,308,757	\$ 7,303,002	\$ 1,332,954
2014	1,537,135	6,770,236	6,980,172	1,327,199
<b>Workers Compensation</b>				
2015	\$ 55,431	\$ 505,489	\$ 495,646	\$ 65,274
2014	68,687	343,457	356,713	55,431

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 2015 is calculated at 2.983%. 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 \$104,683 as of December 31, 2015.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

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 liability insurance 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
2015	\$ 185,703	\$ 143,942	\$ 143,942	\$ 185,703
2014	185,703	160,081	160,081	185,703

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 2015 and 2016 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 2015 budget was 0.40%. The actual limit for the City for the 2016 budget was 0.69%. 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.
- c. 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

**6. Cumulative Effect of Change in Accounting Principles**

The City has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The cumulative effect of this change is summarized below:

	Governmental Activities		
	Governmental Funds	Internal Service Funds	Total
Net Pension Asset	\$ 8,130,077	\$ 242,712	\$ 8,372,789
Deferred Outflows of Resources	2,112,284	61,782	2,174,066
<b>Total Cumulative Effect of Change in Accounting Principle</b>	<b>\$ 10,242,361</b>	<b>\$ 304,494</b>	<b>\$ 10,546,855</b>

	Business-type Activities					Total
	Water Utility	Sewer Utility	Transit Commission	Nonmajor	Total	
Net Pension Asset	\$ 436,684	\$ 309,577	\$ 510,852	\$ 16,850	\$ 1,273,963	\$ 9,646,752
Deferred Outflows of Resources	129,069	88,044	157,324	3,348	377,785	2,551,851
<b>Total Cumulative Effect of Change in Accounting Principle</b>	<b>\$ 565,753</b>	<b>\$ 397,621</b>	<b>\$ 668,176</b>	<b>\$ 20,198</b>	<b>\$ 1,651,748</b>	<b>\$ 12,198,603</b>

**7. Prior Period Adjustment**

The City determined that the Debt Service GO Debt fund understated revenue and overstated liabilities by \$2,000,000 in both the governmental fund financial statements and the government-wide financial statements as presented in the December 31, 2014 Annual Financial Report. As a result, the ending fund balance in the Debt Service GO Debt fund of the governmental fund financial statements and the ending net position of the government-wide financial statements increased by \$2,000,000.

**8. Cumulative Effect of Change in Accounting Principle**

During 2015, the City increased its capitalization threshold from assets with an initial, individual cost of \$500 (non-infrastructure) or \$5,000 (infrastructure) or higher to assets with an initial, individual cost of \$5,000 or higher. This change resulted in \$5,417,237 in previously capitalized costs and related accumulation depreciation of \$5,027,709 for governmental activities and internal service funds and \$584,669 in previously capitalized costs and related accumulated depreciation of \$539,299 for business-type activities to be expensed in the current year. Financial statements for the year ended December 31, 2014 have not been restated. The cumulative effect of this change was to decrease the December 31, 2015 net position by \$389,528 for governmental activities and \$45,370 for business-type activities.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

9. Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

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.

10. Subsequent Events

Subsequent to December 31, 2015 the City issued \$10,925,000 in General Obligation Promissory Notes as follows:

Date	Amount	Purpose
4/20/2016	\$ 3,400,000	Proceeds to be used for \$3,000,000 in various capital improvement projects and \$400,000 for TID 16 street scape project.
4/20/2016	7,525,000	Proceeds to be used for refunding of Taxable General Obligation Refunding Bonds, Series 2006D in the amount of \$4,240,000 and \$3,285,000 for TID 16 development incentives.
	<u>\$ 10,925,000</u>	

In addition, the Water utility will be issuing revenue refunding bonds in May of 2016. The preliminary principal balance of the Revenue Bonds is \$2,115,000.

**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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - COMPONENT UNITS (Continued)**

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

1. Significant Accounting Policies

- a. The Housing Authority follows the accrual basis of accounting.
- b. Temporary cash investments are stated at cost which approximates fair value.
- c. Capital assets are recorded at original costs. 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 Authority's cash and investments totaled \$4,031,974 on March 31, 2015 as summarized below:

Deposits with financial institutions	\$ 1,306,508
Investments	
Government bonds	1,177,774
Municipal bonds	296,847
Fixed income mutual funds	1,250,845
	\$ 4,031,974

Reconciliation to the basic financial statements:

Government - Wide Statement of Net Position

Cash and investments	\$ 3,925,322
Restricted cash and investments	106,652
	\$ 4,031,974

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, 2015, the Housing Authority's deposits with financial institutions were fully insured by 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, 2015

**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, 2015, for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Federal National Mortgage Association bond	\$ 400,204	\$ -	\$ -	\$ 400,204	\$ -
Federal Home Loan Mortgage Corporation bond	399,790	-	-	399,790	-
Federal Farm Credit Bank bond	199,970	-	-	199,970	-
Federal Home Loan Bank bond	177,810	-	-	177,810	-
Municipal bonds	296,847	-	-	228,933	67,914
Fixed income mutual funds	1,250,845	-	-	-	1,250,845
<b>Totals</b>	<b>\$ 2,725,466</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,406,707</b>	<b>\$ 1,318,759</b>

Concentration of Credit Risk

Concentration of credit risk refers to risk of loss attributed to investments in a single issuer. The Authority does not have an additional investment policy regarding concentration of credit risk.

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 National Mortgage Association bond	\$ 400,204	\$ -	\$ -	\$ 400,204	\$ -
Federal Home Loan Mortgage Corporation bond	399,790	-	-	399,790	-
Federal Farm Credit Bank bond	199,970	-	-	199,970	-
Federal Home Loan Bank bond	177,810	-	-	-	177,810
Municipal bonds	296,847	-	67,914	112,599	116,334
Fixed income mutual funds	1,250,845	1,250,845	-	-	-
<b>Totals</b>	<b>\$ 2,725,466</b>	<b>\$ 1,250,845</b>	<b>\$ 67,914</b>	<b>\$ 1,112,563</b>	<b>\$ 294,144</b>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2015

**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	15,249	77,701	-	92,950
Total capital assets not being depreciated	<u>362,192</u>	<u>77,701</u>	-	<u>439,893</u>
Capital assets being depreciated				
Buildings and improvements	8,484,038	17,828	-	8,501,866
Machinery and equipment	805,643	45,140	18,075	832,708
Total capital assets being depreciated	<u>9,289,681</u>	<u>62,968</u>	<u>18,075</u>	<u>9,334,574</u>
Less: Accumulated depreciation	<u>7,035,511</u>	<u>276,781</u>	<u>16,186</u>	<u>7,296,106</u>
Net capital assets being depreciated	<u>2,254,170</u>	<u>(213,813)</u>	<u>1,889</u>	<u>2,038,468</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,616,362</u>	<u>\$ (136,112)</u>	<u>\$ 1,889</u>	<u>\$ 2,478,361</u>

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. Temporary cash investments are stated at cost which approximates 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 \$20,964, 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, 2015**

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)
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, 2015**

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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 Asset  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

	2015
Proportion of the net pension asset	0.24125991%
Proportionate share of the net pension asset	\$ 5,926,003
Covered-employee payroll	\$ 26,387,532
Plan fiduciary net position as a percentage of the total pension asset	102.74%

\* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

**CITY OF SHEBOYGAN, WISCONSIN**  
**Schedule of Contributions**  
**Wisconsin Retirement System**  
**Last 10 Fiscal Years\***

	2015
Contractually required contributions	\$ 2,373,726
Contributions in relation to the contractually required contributions	\$ 2,373,726
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 26,387,532
Contributions as a percentage of covered-employee payroll	9.00%

\* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

**CITY OF SHEBOYGAN**  
Sheboygan, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2015

**NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the fiscal year ended December 31, 2015. Information for prior years is not available.

**NOTE B - WISCONSIN RETIREMENT SYSTEM**

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

**NOTE C - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended December 31, 2008. Information for prior years is not available.

**NOTE D - 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, 2015

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>ASSETS</b>						
Cash and investments	\$ 585,859	\$ 1,760,257	\$ 710	\$ 1,104,461	\$ 742,350	\$ 566,274
Receivables						
Taxes	-	-	-	2,305,741	-	-
Accounts	-	-	-	1,397	158,054	210,942
Special assessments	-	-	-	-	-	-
Loans	3,582,736	2,365,165	885,687	-	-	-
Other	-	2,190	-	-	898	708
Due from other funds	-	-	-	-	-	-
Advance to other funds	-	-	-	-	-	-
Due from other governments	287,050	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,455,645</b>	<b>\$ 4,127,612</b>	<b>\$ 886,397</b>	<b>\$ 3,411,599</b>	<b>\$ 901,302</b>	<b>\$ 777,924</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 114,510	\$ -	\$ -	\$ 16,341	\$ 2,943	\$ 97,014
Accrued and other current liabilities	4,217	-	-	67,405	3,998	-
Due to other funds	169,591	-	-	153,505	-	-
Due to other governments	-	-	885,687	-	-	-
Advance from other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>288,318</b>	<b>-</b>	<b>885,687</b>	<b>237,251</b>	<b>6,941</b>	<b>97,014</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	-	-	-	2,305,741	-	-
Special assessments	-	-	-	-	-	-
Loans receivable	3,582,737	2,365,165	-	-	-	-
Accounts receivable	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>3,582,737</b>	<b>2,365,165</b>	<b>-</b>	<b>2,305,741</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficits)</b>						
<b>Nonspendable</b>						
Inventories and prepaid items	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Library trust	-	-	-	-	-	-
<b>Restricted</b>						
Capital improvements	-	-	-	-	-	-
Community development	584,590	1,762,447	710	-	-	-
Library trust	-	-	-	-	-	-
<b>Committed</b>						
Wildwood baseball park	-	-	-	-	-	40,000
<b>Assigned</b>						
Unassigned	-	-	-	868,607	894,361	640,910
<b>Total Fund Balances (Deficits)</b>	<b>584,590</b>	<b>1,762,447</b>	<b>710</b>	<b>868,607</b>	<b>894,361</b>	<b>680,910</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,455,645</b>	<b>\$ 4,127,612</b>	<b>\$ 886,397</b>	<b>\$ 3,411,599</b>	<b>\$ 901,302</b>	<b>\$ 777,924</b>

**Special Revenue Funds (Continued)**

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Storm Water	Total
\$ 324,158	\$ 20,344	\$ 1,310,687	\$ 115,224	\$ -	\$ 27,596	\$ 151,706	\$ 94,003	\$ 6,803,629
-	-	-	-	-	-	-	-	2,305,741
22,653	-	43,096	-	-	10,036	350,007	-	796,185
-	-	642,424	-	-	-	-	-	642,424
-	-	-	1,340,004	-	-	-	-	8,173,592
-	-	1,996	182	-	175	384	102	6,635
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,396	3,578	-	-	-	-	-	-	295,024
20,487	-	-	-	-	-	-	-	20,487
<b>\$ 371,694</b>	<b>\$ 23,922</b>	<b>\$ 1,998,203</b>	<b>\$ 1,455,410</b>	<b>\$ -</b>	<b>\$ 37,807</b>	<b>\$ 502,097</b>	<b>\$ 94,105</b>	<b>\$ 19,043,717</b>
\$ 167,338	\$ 3,697	\$ 2,200	\$ 708	\$ -	\$ 18,638	\$ 13,502	\$ -	\$ 436,891
65,426	64	-	-	-	2,870	9,959	-	153,939
3,027,103	-	-	-	-	-	-	-	3,350,199
27,835	-	-	-	-	-	-	-	913,522
339,104	-	-	-	-	-	-	-	339,104
<b>3,626,806</b>	<b>3,761</b>	<b>2,200</b>	<b>708</b>	<b>-</b>	<b>21,508</b>	<b>23,461</b>	<b>-</b>	<b>5,193,655</b>
-	-	-	-	-	-	-	-	2,305,741
-	-	636,275	-	-	-	-	-	636,275
-	-	-	1,340,004	-	-	-	-	7,287,906
-	-	-	-	-	-	161,432	-	161,432
-	-	636,275	1,340,004	-	-	161,432	-	10,391,354
20,487	-	-	-	-	-	-	-	20,487
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,347,747
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	40,000
-	20,161	1,359,728	114,698	-	16,299	317,204	94,105	4,326,073
(3,275,599)	-	-	-	-	-	-	-	(3,275,599)
<b>(3,255,112)</b>	<b>20,161</b>	<b>1,359,728</b>	<b>114,698</b>	<b>-</b>	<b>16,299</b>	<b>317,204</b>	<b>94,105</b>	<b>3,458,708</b>
<b>\$ 371,694</b>	<b>\$ 23,922</b>	<b>\$ 1,998,203</b>	<b>\$ 1,455,410</b>	<b>\$ -</b>	<b>\$ 37,807</b>	<b>\$ 502,097</b>	<b>\$ 94,105</b>	<b>\$ 19,043,717</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**December 31, 2015**

	Capital Project Funds			Total
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	
<b>ASSETS</b>				
Cash and investments	\$ 1,426,777	\$ 160,800	\$ 2,105,403	\$ 3,692,980
Receivables				
Taxes	1,064,250	-	-	1,064,250
Accounts	26,000	-	-	26,000
Special assessments	-	-	-	-
Loans	150,000	-	-	150,000
Other	1,721	-	-	1,721
Due from other funds	-	-	-	-
Advance to other funds	79,435	-	-	79,435
Due from other governments	217,788	-	-	217,788
Inventories and prepaid items	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,965,971</b>	<b>\$ 160,800</b>	<b>\$ 2,105,403</b>	<b>\$ 5,232,174</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 186,841	\$ -	\$ 113,116	\$ 299,957
Accrued and other current liabilities				
liabilities	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Advance from other funds	-	-	-	-
Total Liabilities	<u>186,841</u>	<u>-</u>	<u>113,116</u>	<u>299,957</u>
Deferred Inflows of Resources				
Property taxes	1,064,250	-	-	1,064,250
Special assessments	-	-	-	-
Loans receivable	150,000	-	-	150,000
Accounts receivable	-	-	-	-
Total Deferred Inflows of Resources	<u>1,214,250</u>	<u>-</u>	<u>-</u>	<u>1,214,250</u>
Fund Balances (Deficits)				
Nonspendable				
Inventories and prepaid items	-	-	-	-
Cemetery perpetual care	-	-	-	-
Library trust	-	-	-	-
Restricted				
Capital improvements	-	160,800	1,992,287	2,153,087
Community development	-	-	-	-
Library trust	-	-	-	-
Committed				
Library trust	-	-	-	-
Assigned	1,564,880	-	-	1,564,880
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>1,564,880</u>	<u>160,800</u>	<u>1,992,287</u>	<u>3,717,967</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,965,971</b>	<b>\$ 160,800</b>	<b>\$ 2,105,403</b>	<b>\$ 5,232,174</b>

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ 849,486	\$ 1,064,675	\$ 1,914,161	\$ 12,410,770
-	-	-	3,369,991
2,991	-	2,991	825,176
-	-	-	642,424
-	-	-	8,323,592
106	92	198	8,554
-	153,505	153,505	153,505
-	-	-	79,435
-	-	-	512,812
-	-	-	20,487
<b>\$ 852,583</b>	<b>\$ 1,218,272</b>	<b>\$ 2,070,855</b>	<b>\$ 26,346,746</b>
\$ -	\$ -	\$ -	\$ 736,848
-	-	-	153,939
-	-	-	3,350,199
-	-	-	913,522
-	-	-	339,104
-	-	-	5,493,612
-	-	-	3,369,991
-	-	-	636,275
-	-	-	7,437,906
-	-	-	161,432
-	-	-	11,605,604
-	-	-	20,487
852,583	-	852,583	852,583
-	600,000	600,000	600,000
-	-	-	2,153,087
-	-	-	2,347,747
-	618,272	618,272	618,272
-	-	-	40,000
-	-	-	5,890,953
-	-	-	(3,275,599)
<b>852,583</b>	<b>1,218,272</b>	<b>2,070,855</b>	<b>9,247,530</b>
<b>\$ 852,583</b>	<b>\$ 1,218,272</b>	<b>\$ 2,070,855</b>	<b>\$ 26,346,746</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2013

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ 2,305,741	\$ -	\$ 1,498,840
Special assessments	-	-	-	-	-	-
Intergovernmental	842,126	-	-	659,985	-	-
Licenses and permits	-	-	-	-	628,636	-
Fines and forfeits	-	-	-	-	-	1,019
Public charges for services	-	-	-	69,961	1,743	-
Miscellaneous	222,482	261,092	710	241,037	10,523	8,290
<b>Total Revenues</b>	<b>1,064,608</b>	<b>261,092</b>	<b>710</b>	<b>3,276,724</b>	<b>640,902</b>	<b>1,508,149</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	-	-	3,933
Public safety	-	-	-	-	-	32,601
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	-	-	-	2,835,997	173,408	32,722
Conservation and development	467,484	300,000	-	-	-	514,523
<b>Debt service</b>						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	602,495	-	-	113,074	74,954	-
<b>Total Expenditures</b>	<b>1,069,979</b>	<b>300,000</b>	<b>-</b>	<b>2,949,071</b>	<b>248,362</b>	<b>583,779</b>
<b>Excess of Revenues Over (Under)</b>						
Expenditures	(5,371)	(38,908)	710	327,653	392,540	924,370
<b>Other Financing Sources (Uses)</b>						
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	119,546	-	-
Transfers out	-	-	-	(153,505)	(275,000)	(759,253)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,959)</b>	<b>(275,000)</b>	<b>(759,253)</b>
<b>Net Change in Fund Balances</b>	<b>(5,371)</b>	<b>(38,908)</b>	<b>710</b>	<b>293,694</b>	<b>117,540</b>	<b>165,117</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>589,961</b>	<b>1,801,355</b>	<b>-</b>	<b>574,913</b>	<b>776,821</b>	<b>515,793</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 584,590</b>	<b>\$ 1,762,447</b>	<b>\$ 710</b>	<b>\$ 868,607</b>	<b>\$ 894,361</b>	<b>\$ 680,910</b>

**Special Revenue Funds (Continued)**

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Storm Water	Total
\$ 137	\$ -	\$ -	\$ 22,643	\$ -	\$ -	\$ -	\$ -	\$ 3,827,361
-	-	257,859	-	-	-	-	-	257,859
4,396	27,040	-	-	-	-	8,345	-	1,541,892
-	-	-	-	-	-	-	-	628,636
-	-	-	-	-	893,053	-	-	894,072
761,450	-	-	-	6,099	5,153	1,302,251	15,447	2,162,104
1,597	1,036	51,738	2,132	512	2,028	4,495	1,206	808,878
<b>767,580</b>	<b>28,076</b>	<b>309,597</b>	<b>24,775</b>	<b>6,611</b>	<b>900,234</b>	<b>1,315,091</b>	<b>16,653</b>	<b>10,120,802</b>
-	-	-	-	-	519,536	-	44	523,513
-	31,121	-	-	-	-	518,139	-	581,861
1,009,149	-	-	-	-	-	-	-	1,009,149
-	-	-	-	-	-	-	-	-
-	-	-	-	25,596	-	-	-	3,067,723
-	-	-	66,498	-	-	-	-	1,348,505
-	-	-	-	-	-	83,900	-	83,900
4,352	-	-	-	-	-	3,130	-	7,482
-	-	-	-	-	471	350	-	791,344
<b>1,013,501</b>	<b>31,121</b>	<b>-</b>	<b>66,498</b>	<b>25,596</b>	<b>520,007</b>	<b>605,519</b>	<b>44</b>	<b>7,413,477</b>
<b>(245,921)</b>	<b>(3,045)</b>	<b>309,597</b>	<b>(41,723)</b>	<b>(18,985)</b>	<b>380,227</b>	<b>709,572</b>	<b>16,609</b>	<b>2,707,325</b>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,897	-	1,897
-	3,578	-	-	-	-	-	-	123,124
-	-	(448,368)	-	-	(378,651)	(737,302)	-	(2,752,079)
-	3,578	(448,368)	-	-	(378,651)	(735,405)	-	(2,627,058)
<b>(245,921)</b>	<b>533</b>	<b>(138,771)</b>	<b>(41,723)</b>	<b>(18,985)</b>	<b>1,576</b>	<b>(25,833)</b>	<b>16,609</b>	<b>80,267</b>
<b>(3,009,191)</b>	<b>19,628</b>	<b>1,498,499</b>	<b>156,421</b>	<b>18,985</b>	<b>14,723</b>	<b>343,037</b>	<b>77,496</b>	<b>3,378,441</b>
<b>\$ (3,255,112)</b>	<b>\$ 20,161</b>	<b>\$ 1,359,728</b>	<b>\$ 114,698</b>	<b>\$ -</b>	<b>\$ 16,299</b>	<b>\$ 317,204</b>	<b>\$ 94,105</b>	<b>\$ 3,458,708</b>

(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, 2015

	Capital Project Funds			
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	Total
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	574,860	-	25,070	599,930
Licenses and permits	-	-	-	-
Fines and forfeits	-	-	-	-
Public charges for services	4,050	-	-	4,050
Miscellaneous	79,007	160,800	-	239,807
<b>Total Revenues</b>	<u>657,917</u>	<u>160,800</u>	<u>25,070</u>	<u>843,787</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	17,463	17,463
<b>Debt service</b>				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Capital outlay</b>	1,097,422	-	732,301	1,829,723
<b>Total Expenditures</b>	<u>1,097,422</u>	<u>-</u>	<u>749,764</u>	<u>1,847,186</u>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(439,505)	160,800	(724,694)	(1,003,399)
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	-	3,000,000	3,000,000
Sale of capital assets	462,297	-	-	462,297
Transfers in	-	-	-	-
Transfers out	(5,177)	-	(1,024,250)	(1,029,427)
<b>Total Other Financing Sources (Uses)</b>	<u>457,120</u>	<u>-</u>	<u>1,975,750</u>	<u>2,432,870</u>
<b>Net Change in Fund Balances</b>	17,615	160,800	1,251,056	1,429,471
<b>Fund Balances (Deficits) - January 1</b>	<u>1,547,265</u>	<u>-</u>	<u>741,231</u>	<u>2,288,496</u>
<b>Fund Balances (Deficits) - December 31</b>	<u>\$ 1,564,880</u>	<u>\$ 160,800</u>	<u>\$ 1,992,287</u>	<u>\$ 3,717,967</u>

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ -	\$ -	\$ -	\$ 3,827,361
-	-	-	257,859
-	-	-	2,141,822
-	-	-	628,636
-	-	-	894,072
11,099	-	11,099	2,177,253
2,245	2,893	5,138	1,053,823
<u>13,344</u>	<u>2,893</u>	<u>16,237</u>	<u>10,980,826</u>
-	-	-	523,513
-	-	-	581,861
-	-	-	1,009,149
1,064	-	1,064	1,064
-	1,999	1,999	3,069,722
-	-	-	1,365,968
-	-	-	83,900
-	8,298	8,298	15,780
-	-	-	2,621,067
<u>1,064</u>	<u>10,297</u>	<u>11,361</u>	<u>9,272,024</u>
<u>12,280</u>	<u>(7,404)</u>	<u>4,876</u>	<u>1,708,802</u>
-	-	-	3,000,000
-	-	-	464,194
-	153,505	153,505	276,629
(1,002)	-	(1,002)	(3,782,508)
<u>(1,002)</u>	<u>153,505</u>	<u>152,503</u>	<u>(41,685)</u>
11,278	146,101	157,379	1,667,117
841,305	1,072,171	1,913,476	7,580,413
<u>\$ 852,583</u>	<u>\$ 1,218,272</u>	<u>\$ 2,070,855</u>	<u>\$ 9,247,530</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**December 31, 2015**

	Parking Facility	Boat Facility	Totals
<b>ASSETS</b>			
Cash and investments	\$ 759,652	\$ 435,974	\$ 1,195,626
Receivables			
Taxes	6,379	-	6,379
Accounts	29,581	-	29,581
Special assessments	90,587	-	90,587
Other	1,137	546	1,683
Advance to other funds	-	339,104	339,104
Capital assets, nondepreciable			
Land	716,258	-	716,258
Construction in progress	295,605	-	295,605
Capital assets, depreciable			
Buildings and improvements	14,241	-	14,241
Improvements other than buildings	1,387,464	495,106	1,882,570
Machinery and equipment	214,792	-	214,792
Less: Accumulated depreciation	(1,599,294)	(365,706)	(1,965,000)
Net pension asset	11,718	78	11,796
<b>TOTAL ASSETS</b>	<b>1,928,120</b>	<b>905,102</b>	<b>2,833,222</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	10,855	-	10,855
<b>LIABILITIES</b>			
Accounts payable	20,954	6,200	27,154
Accrued and other current liabilities	3,132	-	3,132
Due to other governments	1,417	-	1,417
Unearned revenues	-	93	93
<b>TOTAL LIABILITIES</b>	<b>25,503</b>	<b>6,293</b>	<b>31,796</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,029,066	129,400	1,158,466
Restricted for			
Pension benefits	22,573	78	22,651
Unrestricted	861,833	769,331	1,631,164
<b>TOTAL NET POSITION</b>	<b>\$ 1,913,472</b>	<b>\$ 898,809</b>	<b>\$ 2,812,281</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Nonmajor Enterprise Funds  
For the Year Ended December 31, 2015

	Parking Facility	Boat Facility	Totals
Operating Revenues			
Charges for services	\$ 369,485	\$ 96,004	\$ 465,489
Other	7,619	-	7,619
Total Operating Revenues	<u>377,104</u>	<u>96,004</u>	<u>473,108</u>
Operating Expenses			
Personal services	170,331	-	170,331
Contractual services	153,868	63,126	216,994
Supplies and materials	46,656	-	46,656
Insurance	989	-	989
Other	4,590	-	4,590
Depreciation	5,451	21,479	26,930
Total Operating Expenses	<u>381,885</u>	<u>84,605</u>	<u>466,490</u>
Operating Income (Loss)	<u>(4,781)</u>	<u>11,399</u>	<u>6,618</u>
Nonoperating Revenues			
Investment income	13,931	10,748	24,679
Miscellaneous revenues	6,845	-	6,845
Total Nonoperating Revenues	<u>20,776</u>	<u>10,748</u>	<u>31,524</u>
Income Before Transfers	15,995	22,147	38,142
Transfers in	<u>5,606</u>	<u>-</u>	<u>5,606</u>
Change in Net Position	<u>21,601</u>	<u>22,147</u>	<u>43,748</u>
Net Position - January 1, as originally reported	1,876,547	876,584	2,753,131
Cumulative effect of change in accounting principle (Note D.8)	(4,796)	-	(4,796)
Cumulative effect of change in accounting principle (Note D.6)	<u>20,120</u>	<u>78</u>	<u>20,198</u>
Net Position - January 1, as restarted	<u>1,891,871</u>	<u>876,662</u>	<u>2,768,533</u>
Net Position - December 31	<u>\$ 1,913,472</u>	<u>\$ 898,809</u>	<u>\$ 2,812,281</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended December 31, 2015

	Parking Facility	Boat Facility	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 338,781	\$ 96,235	\$ 435,016
Payments to suppliers	(188,398)	(62,116)	(250,514)
Payments to employees	(175,250)	-	(175,250)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(24,867)</u>	<u>34,119</u>	<u>9,252</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Transfers in	5,606	-	5,606
Advances from other funds	-	(4,351)	(4,351)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>5,606</u>	<u>(4,351)</u>	<u>1,255</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(295,605)	-	(295,605)
<b>Cash Flows from Investing Activities</b>			
Interest received	13,931	10,748	24,679
<b>Change in Cash and Cash Equivalents</b>	(300,935)	40,516	(260,419)
<b>Cash and Cash Equivalents - January 1</b>	<u>1,060,587</u>	<u>395,458</u>	<u>1,456,045</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 759,652</u>	<u>\$ 435,974</u>	<u>\$ 1,195,626</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (4,781)	\$ 11,399	\$ 6,618
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,451	21,479	26,930
Miscellaneous nonoperating revenues	6,845	-	6,845
Change in pension related assets and deferred outflows	(2,453)	-	(2,453)
Changes in assets and liabilities			
Receivables	(18,699)	232	(18,467)
Accounts payable	16,982	1,010	17,992
Accrued and other current liabilities	(2,466)	-	(2,466)
Due to other governments	723	-	723
Unearned revenues	(26,469)	(1)	(26,470)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (24,867)</u>	<u>\$ 34,119</u>	<u>\$ 9,252</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**December 31, 2015**

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Cash and investments	\$ 2,047,431	\$ 1,561,013	\$ 7,204,487
Receivables			
Accounts	-	90	-
Other	2,125	1,366	9,404
Inventories and prepaid items	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	11,999,004	768,616	-
Less: Accumulated depreciation	(8,090,788)	(668,467)	-
Net pension asset	55,757	73,788	12,148
<b>TOTAL ASSETS</b>	<b>6,013,529</b>	<b>1,736,406</b>	<b>7,226,039</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	70,648	62,668	13,902
<b>LIABILITIES</b>			
Accounts payable	74,516	198,555	14,517
Accrued and other current liabilities	15,570	16,780	1,376,407
<b>TOTAL LIABILITIES</b>	<b>90,086</b>	<b>215,335</b>	<b>1,390,924</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,908,216	100,149	-
Restricted for			
Pension benefits	126,405	136,456	26,050
Unrestricted	1,959,470	1,347,134	5,822,967
<b>TOTAL NET POSITION</b>	<b>\$ 5,994,091</b>	<b>\$ 1,583,739</b>	<b>\$ 5,849,017</b>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,542,397	\$ 386,141	\$ 12,741,469
-	-	90
1,892	302	15,089
-	47,446	47,446
-	2,205,665	2,205,665
-	-	12,767,620
-	-	(8,759,255)
7,756	-	149,449
<u>1,552,045</u>	<u>2,639,554</u>	<u>19,167,573</u>
<u>10,412</u>	<u>-</u>	<u>157,630</u>
350	3,257	291,195
<u>65,274</u>	<u>185,703</u>	<u>1,659,734</u>
<u>65,624</u>	<u>188,960</u>	<u>1,950,929</u>
-	-	4,008,365
18,168	-	307,079
<u>1,478,665</u>	<u>2,450,594</u>	<u>13,058,830</u>
<u>\$ 1,496,833</u>	<u>\$ 2,450,594</u>	<u>\$ 17,374,274</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For the Year Ended December 31, 2015

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 1,848,198	\$ 852,962	\$ 6,633,216
Other	176	98	1,718
Total Operating Revenues	<u>1,848,374</u>	<u>853,060</u>	<u>6,634,934</u>
Operating Expenses			
Personal services	569,119	547,532	109,615
Contractual services	526,463	352,034	296,254
Supplies and materials	281,120	1,465	-
Insurance	-	-	7,308,757
Other	27,734	13,123	-
Depreciation	742,467	39,262	-
Total Operating Expenses	<u>2,146,903</u>	<u>953,416</u>	<u>7,714,626</u>
Operating Income (Loss)	<u>(298,529)</u>	<u>(100,356)</u>	<u>(1,079,692)</u>
Nonoperating Revenues			
Investment income	24,894	16,000	110,177
Sale of capital assets	121,989	-	-
Total Nonoperating Revenues	<u>146,883</u>	<u>16,000</u>	<u>110,177</u>
Income (Loss) Before Transfers	(151,646)	(84,356)	(969,515)
Transfers in	1,000,000	436,111	-
Transfers out	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>723,354</u>	<u>351,755</u>	<u>(969,515)</u>
Net Position - January 1, as originally reported	5,178,418	1,135,565	6,792,464
Cumulative effect of change in accounting principle (Note D.8)	(35,575)	(35,935)	-
Cumulative effect of change in accounting principle (Note D.6)	<u>127,894</u>	<u>132,354</u>	<u>26,068</u>
Net Position - January 1, as restated	<u>5,270,737</u>	<u>1,231,984</u>	<u>6,818,532</u>
Net Position - December 31	<u>\$ 5,994,091</u>	<u>\$ 1,583,739</u>	<u>\$ 5,849,017</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 607,906	\$ 141,640	\$ 10,083,922
-	69,249	71,241
<u>607,906</u>	<u>210,889</u>	<u>10,155,163</u>
124,883	-	1,351,149
21,052	33,023	1,228,826
-	-	282,585
505,489	143,942	7,958,188
-	-	40,857
-	-	781,729
<u>651,424</u>	<u>176,965</u>	<u>11,643,334</u>
<u>(43,518)</u>	<u>33,924</u>	<u>(1,488,171)</u>
22,173	3,533	176,777
-	-	121,989
<u>22,173</u>	<u>3,533</u>	<u>298,766</u>
<u>(21,345)</u>	<u>37,457</u>	<u>(1,189,405)</u>
-	-	1,436,111
-	-	(125,000)
<u>(21,345)</u>	<u>37,457</u>	<u>121,706</u>
1,500,000	2,413,137	17,019,584
-	-	(71,510)
<u>18,178</u>	<u>-</u>	<u>304,494</u>
<u>1,518,178</u>	<u>2,413,137</u>	<u>17,252,568</u>
<u>\$ 1,496,833</u>	<u>\$ 2,450,594</u>	<u>\$ 17,374,274</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2015**

	Motor Vehicle	Data Processing	Health Self Insurance
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,849,867	\$ 853,704	\$ 6,703,805
Payments to suppliers	(809,512)	(189,554)	(7,609,812)
Payments to employees	(581,813)	(565,375)	(109,597)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>458,542</u>	<u>98,775</u>	<u>(1,015,604)</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Transfer in (out)	<u>875,000</u>	<u>436,111</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(677,304)	(29,003)	-
Proceeds from sale of capital assets	121,989	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(555,315)</u>	<u>(29,003)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	<u>24,894</u>	<u>16,000</u>	<u>110,177</u>
<b>Change in Cash and Cash Equivalents</b>	<u>803,121</u>	<u>521,883</u>	<u>(905,427)</u>
<b>Cash and Cash Equivalents - January 1</b>	<u>1,244,310</u>	<u>1,039,130</u>	<u>8,109,914</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 2,047,431</u>	<u>\$ 1,561,013</u>	<u>\$ 7,204,487</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (298,529)	\$ (100,356)	\$ (1,079,692)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	742,467	39,262	-
Change in pension related assets and deferred outflows	1,489	(4,102)	18
Changes in assets and liabilities			
Receivables	1,493	644	68,871
Inventories and prepaid items	-	-	-
Accounts payable	25,805	177,068	(2,436)
Accrued and other current liabilities	(14,183)	(13,741)	(2,365)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 458,542</u>	<u>\$ 98,775</u>	<u>\$ (1,015,604)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 608,765	\$ 211,141	\$ 10,227,282
(516,348)	(180,883)	(9,306,109)
(124,873)	-	(1,381,658)
<u>(32,456)</u>	<u>30,258</u>	<u>(460,485)</u>
-	-	1,311,111
-	-	(706,307)
-	-	121,989
-	-	<u>(584,318)</u>
22,173	3,533	176,777
(10,283)	33,791	443,085
<u>1,552,680</u>	<u>352,350</u>	<u>12,298,384</u>
<u>\$ 1,542,397</u>	<u>\$ 386,141</u>	<u>\$ 12,741,469</u>
\$ (43,518)	\$ 33,924	\$ (1,488,171)
-	-	781,729
10	-	(2,585)
859	252	72,119
-	1,832	1,832
350	(5,750)	195,037
9,843	-	(20,446)
<u>\$ (32,456)</u>	<u>\$ 30,258</u>	<u>\$ (460,485)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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, 2015, 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 which included an emphasis of matter paragraph as indicated on page 2 dated May 2, 2016. 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.

*Schende SC*

Certified Public Accountants  
Sheboygan, Wisconsin  
May 2, 2016

**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, 2015. 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, 2015.

## 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.

*Schenck SL*

Certified Public Accountants  
Sheboygan, Wisconsin  
May 2, 2016

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number
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**FEDERAL PROGRAMS**

**U.S. DEPARTMENT OF AGRICULTURE**

Cooperative Forestry Assistance Forest Fire Protection Grant Program	WI Department of Natural Resources	10.664
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**U.S DEPARTMENT OF COMMERCE**

Costal zone Management Administration Awards	WI Department of Administration	11.419
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**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Community Development Block Grant	Direct Program	14.218
Community Development Block Grant State Administered Small Cities Program	WI Department of Administration	14.228
Total U.S. Department of Housing and Urban Development		

**U.S. DEPARTMENT OF JUSTICE**

Edward Byrne Memorial Justice Assistance Grant Program	Wisconsin Department of Justice	16.738
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**U.S. DEPARTMENT OF TRANSPORTATION**

<i>Federal Transit Cluster</i> Federal Transit Formula Grants	WI Department of Transportation	20.507
<i>Transit Services Programs Cluster</i> New Freedom Program	WI Department of Transportation	20.521

Total U.S. Department of Transportation

**INSTITUTE OF MUSEUMS AND LIBRARY SERVICES**

Grants to States	WI Department of Public Instruction	45.310
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**U.S. ENVIRONMENTAL PROTECTION AGENCY**

Great Lakes Program King and Deland Park Infrastructure	WI Department of Natural Resources	66.469
River Habitat Restoration	WI Department of Natural Resources	66.469
Total U.S. Environmental Protection Agency		

**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.

(Accrued) Deferred Revenue 1/1/15	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/15	Total Revenues	Total Expenditures
\$ -	\$ 3,938	\$ -	\$ 3,938	\$ 3,938
-	-	4,396	4,396	4,396
(54,847)	609,922	287,051	842,126	842,126
-	330,169	195,687	525,856	525,856
(54,847)	940,091	482,738	1,367,982	1,367,982
-	13,601	-	13,601	13,601
-	1,247,519	-	1,247,519	1,247,519
(19,588)	21,085	-	1,497	1,497
(19,588)	1,268,604	-	1,249,016	1,249,016
-	16,465	-	16,465	16,465
-	-	8,204	8,204	8,204
(16,997)	43,899	13,898	40,800	40,800
(16,997)	43,899	22,102	49,004	49,004
\$ (91,432)	\$ 2,286,598	\$ 509,236	\$ 2,704,402	\$ 2,704,402

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of State Financial Assistance  
For the Year Ended December 31, 2015

Grantor Agency/State Program Title	Pass-through Agency	State I.D. Number
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**STATE PROGRAMS**

DEPARTMENT OF NATURAL RESOURCES

Urban Wildlife Damage	Direct Program	370.580
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DEPARTMENT OF TRANSPORTATION

Elderly and Disabled Transportation	Sheboygan County	395.101
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Transit Operating Aid - 2012	Direct Program	395.104
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Transit Operating Aid - 2013	Direct Program	395.104
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Transit Operating Aid - 2014	Direct Program	395.104
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Transit Operating Aid - 2015	Direct Program	395.104
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Total Transit Operating Aids		
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Total Department of Transportation

DEPARTMENT OF JUSTICE

Drug Crimes Enforcement	Direct Program	455.225
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Edward Byrne Memorial Justice Assistance	Direct Program	455.225
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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.

(Accrued) Deferred Revenue 1/1/15	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/15	Total Revenues	Total Expenditures
\$ -	\$ 2,500	\$ -	\$ 2,500	\$ 2,500
(67,029)	299,125	77,365	309,461	309,461
(62,675)	62,675	-	-	-
(96,546)	97,258	-	712	712
(97,485)	-	97,485	-	-
-	886,363	63,809	950,172	950,172
(256,706)	1,046,296	161,294	950,884	950,884
(323,735)	1,345,421	238,659	1,260,345	1,260,345
-	305	-	305	305
-	9,861	-	9,861	9,861
-	10,166	-	10,166	10,166
\$ (323,735)	\$ 1,358,087	\$ 238,659	\$ 1,273,011	\$ 1,273,011

## **CITY OF SHEBOYGAN, WISCONSIN**

### **Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance For the Year Ended December 31, 2015**

#### **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**

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 2015 basic financial statements.

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 25% 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 for 2015.

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.

**CITY OF SHEBOYGAN, WISCONSIN**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2015**

**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
20.507	Federal Transit Cluster 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, 2015.

**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, 2015.

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended December 31, 2015

**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 Justice	_____	Yes	_____	<u>  X  </u>	No
Department of Public Instruction	_____	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

*Bryan Grunewald CPA*

Name and signature of shareholder

\_\_\_\_\_  
 Bryan Grunewald, CPA

Date of report

May 2, 2016

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended December 31, 2015

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2014.

Corrective Action Plan

No corrective action plan is required.

**CITY OF SHEBOYGAN**

**REQUEST FOR FINANCE COMMITTEE CONSIDERATION**

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**ITEM DESCRIPTION:** RO -16-17, Submitting the Annual Financial Report of the City of Sheboygan for the year ended December 31, 2015, prepared by Schenck SC.

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**REPORT PREPARED BY:** Nancy Buss, Finance Director

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**REPORT DATE:** May 17, 2016

**MEETING DATE:** May 23, 2016

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**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

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**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 2015 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 \$33 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 -16-17 submitting the Annual Financial Report for the year ended December 31, 2015.

**ATTACHMENTS:**

- I. Proposed RO
- II. Management Communications from Schenck SC

R. O. \_\_\_\_\_ 16-17. By Finance Director. June 6, 2016

Submitting the Annual Financial Report of the City of Sheboygan for the year ended December 31, 2015,  
prepared by Schenck SC.

**MANAGEMENT COMMUNICATIONS**  
**CITY OF SHEBOYGAN, WISCONSIN**  
**DECEMBER 31, 2015**

**CITY OF SHEBOYGAN, WISCONSIN**  
December 31, 2015

**TABLE OF CONTENTS**

	<u>Page No.</u>
<b>COMMUNICATION TO THE CITY COUNCIL</b>	1 - 4
<b>SUMMARY FINANCIAL INFORMATION</b>	
1. City Governmental Fund Balances	5 - 7
2. Sewerage System	8 - 9
3. Transit Commission	10
4. Motor Vehicle	11
5. Health Self Insurance	12
6. Workers Compensation Self Insurance	13 - 14
<b>COMMENTS AND OBSERVATIONS</b>	
Internal Control and Segregation of Duties Over Payroll	15
Fair Value Measurement and Application	15
Accounting and Reporting for Other Post-employment Benefits	16
<b>APPENDIX</b>	
Management Representation Letter	



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 City of Sheboygan, Wisconsin (the "City") for the year ended December 31, 2015. 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, 2016, 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, Federal 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 Federal 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. Also in accordance with Federal 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*

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, 2015, 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 77 - 78 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.

### *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 D to the financial statements, the City changed accounting policies related to pension accounting by adopting Statement of Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, in 2015. 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 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 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 the implementation of GASB Statement No. 68, reporting for pensions, resulting in an increase in assets of \$611,281 and deferred outflows of resources of \$771,287.
- Recorded construction in progress in the Parking Facility enterprise fund resulting in an increase in assets and reduction in expenses of \$295,605.
- Recognized revenue for the Blue Harbor escrow payment resulting in an increase in equity and a reduction in liabilities of \$2,000,000.

#### *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, 2016. 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.

### *Restriction on Use*

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

Sincerely,



Certified Public Accountants  
Sheboygan, Wisconsin  
May 2, 2016

## SUMMARY FINANCIAL INFORMATION

### 1. City Governmental Fund Balances

Presented below is a summary of the various City governmental fund balances on December 31, 2015, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2015 and for indicating financial resources available at the start of the 2016 budget year.

	2015	2014
<b>General Fund</b>		
Nonspendable		
Inventories and prepaid items	\$ 178,439	\$ 181,026
Long-term accounts receivable	1,625,589	1,409,815
Committed	2,936,649	836,003
Assigned	914,984	870,682
Unassigned	17,905,924	17,707,173
<b>Total General Fund</b>	<b>23,561,585</b>	<b>21,004,699</b>
<b>Special Revenue Funds</b>		
Nonspendable		
Harbor center marina	20,487	19,152
Restricted		
Community development block grant	584,590	589,961
Revolving loan funds	1,762,447	1,801,355
Lead based abatement program	710	-
Committed		
Wildwood baseball park	40,000	-
Assigned		
Mead library	868,607	574,913
Cable TV	894,361	776,821
Tourism promotion	640,910	515,793
Police meg unit	20,161	19,628
Special assessment	1,359,728	1,498,499
Redevelopment authority	114,698	156,421
E.H. May environmental park	-	18,985
Municipal court fund	16,299	14,723
Ambulance	317,204	343,037
Storm water	94,105	77,496
Unassigned (Deficit)		
Harbor center marina	(3,275,599)	(3,028,343)
<b>Total Special Revenue Funds</b>	<b>3,458,708</b>	<b>3,378,441</b>
<b>Debt Service Funds</b>	<b>10,364,975</b>	<b>7,033,064</b>
<b>Capital Projects Funds</b>	<b>3,717,967</b>	<b>2,288,496</b>
<b>Permanent Funds</b>		
Nonspendable		
Cemetery perpetual care	852,583	841,305
Library trust	600,000	600,000
Restricted		
Library trust	618,272	472,171
<b>Total Permanent Funds</b>	<b>2,070,855</b>	<b>1,913,476</b>
<b>Totals</b>	<b>\$ 43,174,090</b>	<b>\$ 35,618,176</b>

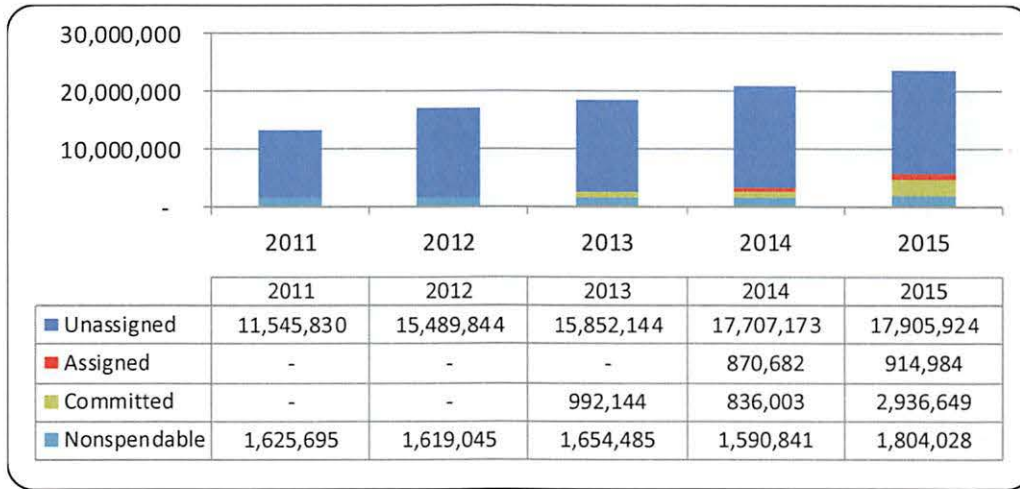
**1. City Governmental Fund Balances (Continued)**

General Fund

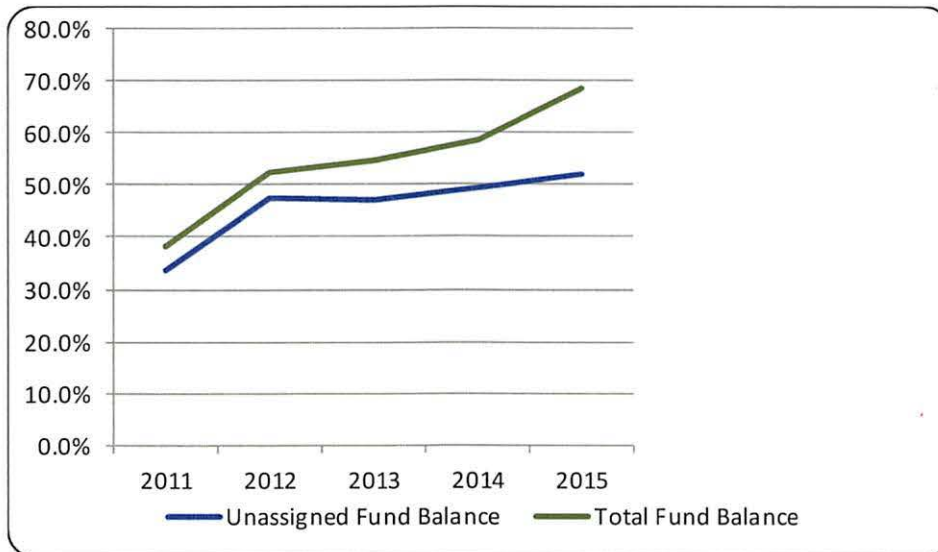
Overall, the City's general fund increased \$2,556,886. The City's unassigned general fund balance increased \$198,751 and has a December 31, 2015 balance of \$17,905,924. The increase in unassigned funds is due to the combination of revenues exceeding budget, expenses being under budget, and transfers in excess of budget.

Presented below is a fund balance analysis of the General Fund for fiscal years 2011-2015. This information is presented to assist City management in assessing fund balance levels at the end of fiscal year 2015 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 \$17,905,924 available for working capital and future expenditures. This balance represents approximately 52% of the general fund expenditures.

## **1. City Governmental Fund Balances (Continued)**

### **Special Revenue Funds**

Overall, the total fund balance for all special revenue funds increased \$80,267. The revolving loan fund balance decreased \$38,908 and has a December 31, 2015 balance of \$1,762,447. In addition, the deficit in the Harbor Center Marina fund continues to increase and has a December 31, 2015 deficit unassigned fund balance of \$3,275,599.

### **Debt Service Funds**

Debt service funds present ending fund balance of \$10,364,975. 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 \$7,091,324. The tax incremental financing debt service fund reports a fund balance of \$3,273,651.

### **Capital Project Funds**

Overall, the total fund balance available for all capital projects funds increased \$1,429,471 and has a balance of \$3,717,967 as of December 31, 2015. The fund balance of the bonded projects fund increased \$1,251,056 and has a December 31, 2015 balance of \$1,992,287.

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 2015, debt proceeds of \$3,000,000 were recorded in the capital projects bonded fund in comparison to capital outlay expenditures and transfers out of approximately \$1.8 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, 2015 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:

	2015	2014
Operating Revenues		
Charges for services	\$ 6,944,693	\$ 6,987,541
Other	51,926	63,354
Total Operating Revenues	<u>6,996,619</u>	<u>7,050,895</u>
Operating Expenses		
Personal services	2,003,832	2,004,440
Contractual services	1,928,478	2,222,519
Supplies and materials	1,049,482	796,641
Insurance	34,293	28,537
Other	122,647	544,193
Depreciation	1,127,331	1,099,429
Total Expenses	<u>6,266,063</u>	<u>6,695,759</u>
Operating Income	<u>730,556</u>	<u>355,136</u>
Nonoperating Revenues (Expenses)		
Investment income	122,491	76,641
Interest expense	(230,172)	(192,190)
Sale of capital assets	9,535	14,469
Total Nonoperating Revenues (Expenses)	<u>(98,146)</u>	<u>(101,080)</u>
Income Before Contributions and Transfers	632,410	254,056
Capital contributions	100,045	98,321
Transfers out	<u>(362,970)</u>	<u>(247,921)</u>
Change in Net Position	<u>369,485</u>	<u>104,456</u>
Net Position - January 1, as originally reported	20,478,656	20,374,200
Cumulative effect of change in accounting principles	<u>371,142</u>	<u>-</u>
Net position - January 1, restated	<u>20,849,798</u>	<u>20,374,200</u>
Net Position - December 31	<u>\$ 21,219,283</u>	<u>\$ 20,478,656</u>

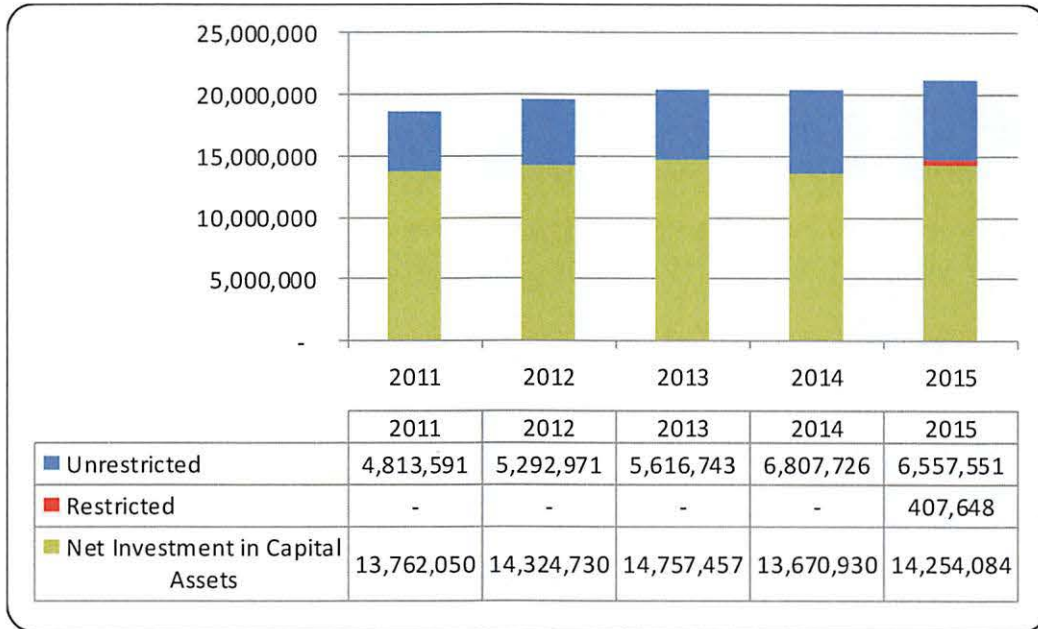
In 2015 the Sewerage System reported operating income of \$730,556 compared to \$355,136 for the prior year.

The increase in operating income is primarily due to a reduction in expenses. For 2015, the sewerage system reported a reduction in contractual services, hauling services and maintenance. The increase in supplies and materials as seen above is due to an increase in chemicals.

**2. Sewerage System (Continued)**

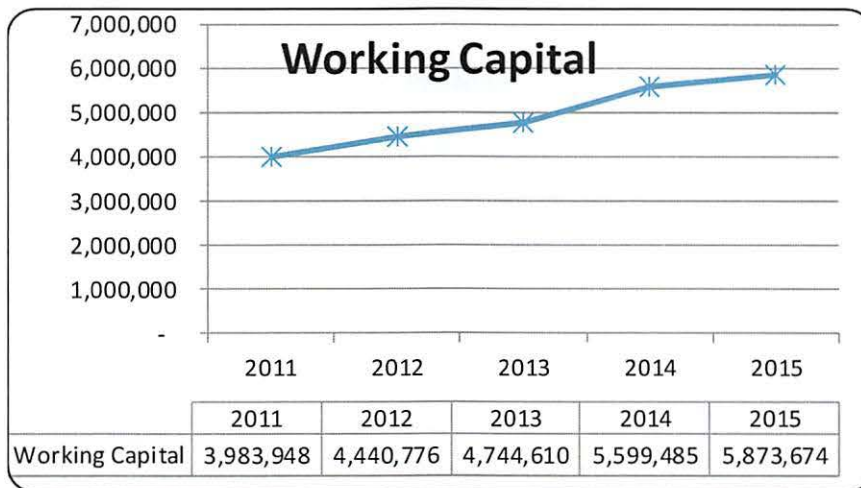
Sewerage System's Net Position

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:

	2015	2014
Operating Revenues		
Charges for services	\$ 755,067	\$ 759,217
Other	81,888	71,317
Total Operating Revenues	<u>836,955</u>	<u>830,534</u>
Operating Expenses		
Personal services	2,936,771	3,034,455
Contractual services	236,114	233,030
Supplies and materials	482,146	641,619
Insurance	123,010	132,736
Other	5,849	1,744
Depreciation	558,299	487,669
Total Operating Expenses	<u>4,342,189</u>	<u>4,531,253</u>
Operating Loss	<u>(3,505,234)</u>	<u>(3,700,719)</u>
Nonoperating Revenue (Expenses)		
Property taxes	511,547	511,547
Intergovernmental	2,644,412	2,837,410
Investment income	24,678	10,738
Miscellaneous revenue	55,372	(1,900)
Gain (loss) on disposal of assets	(24,305)	123
Total Nonoperating Revenue (Expenses)	<u>3,211,704</u>	<u>3,357,918</u>
Transfers out	<u>(1,541)</u>	-
Change in Net Position	<u>(295,071)</u>	<u>(342,801)</u>
Net Position - January 1, as originally reported	4,239,254	4,582,055
Cumulative effect of change in accounting principles	<u>654,081</u>	-
Net position - January 1, restated	<u>4,893,335</u>	<u>4,582,055</u>
Net Position - December 31	<u>\$ 4,598,264</u>	<u>\$ 4,239,254</u>

The results of operations between years are very comparable as transit reported a change in net position of (\$295,071) for 2015 in comparison to (\$342,801) for 2014.

Intergovernmental revenues decreased slightly as did operating expenses. The entity experienced a significant reduction in costs due to the decline in fuel prices.

As of December 31, 2015, the Transit Commission has \$2,442,945 in cash and investments and \$2,552,932 in unrestricted net position.

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, 2015 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:

	2015	2014
Operating Revenues		
Charges for services	\$ 1,848,198	\$ 1,881,357
Other	176	565
Total Operating Revenues	<u>1,848,374</u>	<u>1,881,922</u>
Operating Expenses		
Personal services	569,119	643,455
Contractual services	526,463	535,681
Supplies and materials	281,120	419,288
Other	27,734	24,693
Depreciation	742,467	717,880
Total Expenses	<u>2,146,903</u>	<u>2,340,997</u>
Operating Loss	<u>(298,529)</u>	<u>(459,075)</u>
Nonoperating Revenues		
Investment income	24,894	9,871
Sale of capital assets	121,989	79,434
Total Nonoperating Revenues	<u>146,883</u>	<u>89,305</u>
Loss Before Transfers	(151,646)	(369,770)
Transfers in	1,000,000	-
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>
Change in Net Position	<u>723,354</u>	<u>(494,770)</u>
Net Position - January 1, as originally reported	5,178,418	5,673,188
Cumulative effect of change in accounting principles	<u>92,319</u>	<u>-</u>
Net position - January 1, restated	<u>5,270,737</u>	<u>5,673,188</u>
Net Position - December 31	<u>\$ 5,994,091</u>	<u>\$ 5,178,418</u>

The Motor Vehicle internal service fund generated an operating loss of \$298,529 for 2015 compared to a loss of \$459,075 the prior year. The decrease in operating loss in the current year is due to decrease in operating expenses primarily fuel costs.

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

As of December 31, 2015, the fund has cash and investments totaling \$2,047,431 and unrestricted net position of \$1,959,470.

## 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:

	2015	2014
Operating Revenues		
Charges for services	\$ 6,633,216	\$ 8,181,151
Other	1,718	20,051
Total Operating Revenues	<u>6,634,934</u>	<u>8,201,202</u>
Operating Expenses		
Personal services	109,615	108,920
Contractual services	296,254	259,286
Supplies and materials	-	93
Insurance	7,308,757	6,770,236
Total Expenses	<u>7,714,626</u>	<u>7,138,535</u>
Operating Income (Loss)	<u>(1,079,692)</u>	<u>1,062,667</u>
Nonoperating Revenue		
Investment income	<u>110,177</u>	<u>50,370</u>
Income (Loss) Before Transfers	(969,515)	1,113,037
Transfers out	<u>-</u>	<u>(173,218)</u>
Change in Net Position	<u>(969,515)</u>	<u>939,819</u>
Net Position - January 1, as originally reported	6,792,464	5,852,645
Cumulative effect of change in accounting principle	<u>26,068</u>	<u>-</u>
Net position - January 1, restated	<u>6,818,532</u>	<u>5,852,645</u>
Net Position - December 31	<u>\$ 5,849,017</u>	<u>\$ 6,792,464</u>

The fund reported operating loss of \$1,079,692 compared to operating income of \$1,062,667 the prior year.

Operating revenues decreased \$1,566,268 due to a reduction in charges to other City departments. Insurance expenses increased \$538,521 due to an increase in insurance claims.

As of December 31, 2015, the fund has cash and investments totaling \$7,204,487 and unrestricted net position of \$5,822,967. The unrestricted net position balance as of December 31, 2015 represents 79.7% of 2015 claims.

## 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:

	2015	2014
Operating Revenues		
Charges for services	\$ 607,906	\$ 464,416
Operating Expenses		
Personal services	124,883	130,420
Contractual services	21,052	17,737
Insurance	505,489	498,564
Total Expenses	651,424	646,721
Operating Loss	(43,518)	(182,305)
Nonoperating Revenue		
Investment income	22,173	9,086
Loss Before Transfers	(21,345)	(173,219)
Transfers in	-	173,218
Change in Net Position	(21,345)	(1)
Net Position - January 1, as originally reported	1,500,000	1,500,001
Cumulative effect of change in accounting principle	18,178	-
Net position - January 1, restated	1,518,178	1,500,001
Net Position - December 31	\$ 1,496,833	\$ 1,500,000

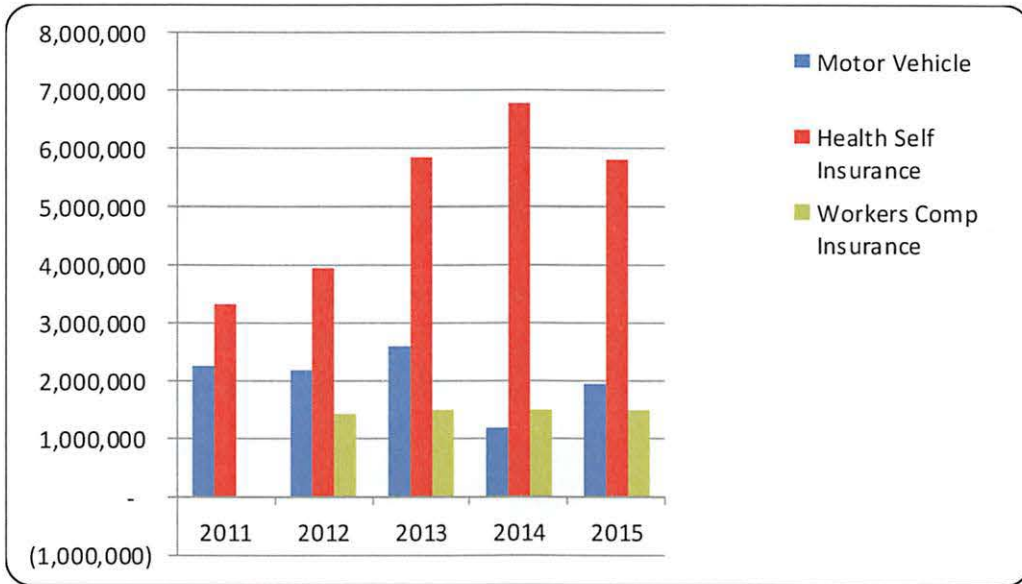
The operating loss decreased from \$182,305 in 2014 to \$43,518 due to an increase in charges to other City departments.

As of December 31, 2015, the fund has cash and investments totaling \$1,542,397 and unrestricted net position of \$1,478,665.

6. Workers Compensation Self Insurance (Continued)

Working Capital – Select Internal Service Funds

The following graph presents an overview of the working capital balance for the Motor Vehicle, Health Self Insurance, and Workers Compensation Insurance internal service funds for the most recent five year period. Working capital represents current assets less current liabilities.



## COMMENTS AND OBSERVATIONS

### **Internal Control and Segregation of Duties Over Payroll**

An ideal system of internal control includes policies and procedures that are designed to properly segregate duties and includes a system of checks and balances. Internal controls should be designed to limit the access or control of any one individual to your City's assets or accounting records, and to achieve a high likelihood that errors or irregularities in your accounting processes would be discovered by City personnel in a timely manner.

While we recognize that both structural changes and software changes have been implemented in recent years that have improved the design of the City's internal control structure over the payroll function, we believe that there are additional opportunities within the payroll function to further segregate duties and to improve the effectiveness of the control environment. Currently one position within the human resource department has a significant amount of responsibility and control throughout the payroll processing function. For example, one position has the ability to adjust both hours worked and wage rates and also is responsible for processing the payroll. Ideally there would be additional segregation of duties or more formally and timely documented review procedures.

Management should continue to be aware of this condition and realize that a concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control perspective. Based on discussion with various City staff including human resource, finance and IT personnel we believe that there are cost effective opportunities for the City to implement additional preventative and mitigating controls over the payroll function and we recommend that the City develop a formal plan and timeline to further evaluate opportunities for improvement. This review should also take into consideration a cost / benefit analysis.

### **Fair Value Measurement and Application**

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurement, primarily for investments.

GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also provides guidance on how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. It establishes a hierarchy of inputs to valuation techniques used to measure fair value. That fair value hierarchy has three levels of inputs based on the objectivity and reliability of the information. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs for similar assets or liabilities. Finally, Level 3 inputs are unobservable inputs. GASB Statement No. 72 requires additional footnote disclosures about fair value measurement, the level of fair value hierarchy and valuation techniques used.

The new standard is effective for years beginning after June 15, 2015, although early application is encouraged. We recommend that the City review the new standard, determine its investments that are subject to fair value measurement and value those investments according to the valuation techniques and inputs outlined in the Statement. We are able to assist you in implementing this standard.

## COMMENTS AND OBSERVATIONS (Continued)

### **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, 2016

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, (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, 2015, 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. 54 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, 2016, 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, 2015 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.

#### **FINANCE DEPARTMENT**

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

920/459-3311  
FAX 920/459-3967

[www.sheboyganwi.gov](http://www.sheboyganwi.gov)

3. 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.
4. 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.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
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.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

12. 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.
  - 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.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. 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.
15. 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.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements
17. 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**

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. 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.
20. 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.
21. 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.

22. 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.
23. 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.
24. 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.
25. 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.
26. 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.
27. 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, except for utility assets pledged as collateral for the revenue bonds.
28. 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.
29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
30. 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.
31. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
32. 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.

33. 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.
34. Provisions for uncollectible receivables have been properly identified and recorded.
35. 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.
36. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
38. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
40. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
41. 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.
42. 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.
43. 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.
44. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules (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.

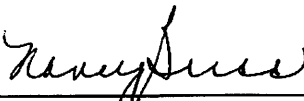
45. We agree with the findings of specialists in evaluating the other post-employment benefits, pension benefits and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying 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.
46. 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.
47. 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.
48. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
49. 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.
50. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
51. 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.
52. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
53. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 72, Fair Value Measurement and Application, No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are now within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, No. 74, Financial Reporting for Post-employment Benefit Plans other than Pension Plans, No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions and No. 77, Tax Abatement Disclosures, as discussed in Note D.9. 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.
54. 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. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA no later than the date we issue the SEFA and SSFA and the auditors' report thereon.
- d. 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 grants, 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.
- e. 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.
- f. 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.
- g. 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.
- h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

- i. We have complied with the direct and material compliance requirements including, when applicable, those set forth in the *OMB Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal or state awards.
- j. 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.
- k. 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.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, subpart E) OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, if applicable.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. 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.
- o. 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.
- p. 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.
- q. 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.
- r. 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.
- s. 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.

- t. We have charged costs to federal and state awards in accordance with applicable cost principles.
  - u. 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.
  - v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
  - x. 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.
55. 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 COMMITTEE CONSIDERATION**

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**ITEM DESCRIPTION:** RO 25-16-17, Submitting a claim from American orthodontics Corp. for a refund for personal property taxes assessed for the 2015 tax year.

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**REPORT PREPARED BY:** Nancy Buss, Finance Director

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**REPORT DATE:** May 17, 2016

**MEETING DATE:** May 23, 2016

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**FISCAL SUMMARY:**

Budget Line Item: 10115100  
Budget Summary: N/A  
Budgeted Expenditure: 10115100-590250  
Budgeted Revenue: N/A

**STATUTORY REFERENCE:**

Wisconsin Statutes: 70.995 (8)  
Municipal Code: N/A

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**BACKGROUND / ANALYSIS:**

The Wisconsin Department of Revenue, Manufacturing & Utility Bureau valued American Orthodontics Corp's personal property for the 2015 tax roll in the amount of \$4,922,200. American Orthodontics Corp filed an Objection to Manufacturing Personal Property Assessment within the sixty (60) day timeline under state law (sec 70.995 (8)(b)(1) and sec. 70.995 (8)(d), Wis. Stats.

**STAFF COMMENTS:**

The WI DOR valued the real and personal property following a field audit on 4/27/2015. Due to the question of taxability of a number of personal property items, an onsite review was performed on 12/10/2015. Upon review, a number of the items in question were found to be exempt. Upon review by the State Board of Assessors pursuant to sec. 70.995 (8)(a), Wis. Stats, the Board determined the personal property value warranted a reduction in value of \$2,264,000. Interest per section 70.511(2)(b) Wis. Stats is not applicable. Per sec 70.511, Wis. Stats, a claim was filed with the City timely (prior to November 1<sup>st</sup>) and a refund shall be payable to the taxpayer from the municipality no later than January 31 in the succeeding year. The City will be entitled to charge back the refunded taxes under Sec. 74.41, Wis. Stats to the taxing jurisdictions, State of WI, Sheboygan County, Sheboygan Area School District and Lakeshore Technical College.

**ACTION REQUESTED:**

Motion to recommend the Common Council approve RO 25-16-17 and reimburse American Orthodontics pursuant to the State Board of Assessors ruling.

**ATTACHMENTS:**

- I. RO 25-16-17
- II. Refund Calculation

RO 25-16-17 American Orthodontics Corp.

	Original Full Value Assessment	Revised Full Value Assessment	Original Equated Value Assessment	Revised Equated Value Assessment
Machinery & Equipment	\$ 635,500	\$ 150,900	\$ 632,700	\$ 150,200
Furniture & Fixtures	\$ 1,987,600	\$ 1,784,000	\$ 1,978,900	\$ 1,776,200
All Other	\$ 2,299,100	\$ 723,300	\$ 2,289,100	\$ 720,100
	\$ 4,922,200	\$ 2,658,200	\$ 4,900,700	\$ 2,646,500
State			\$ 834.97	\$ 450.90
County			\$ 27,673.53	\$ 14,944.40
Lakeshore Technical School			\$ 3,942.82	\$ 2,129.22
City			\$ 58,547.35	\$ 31,617.03
			\$ 46,536.26	\$ 25,130.74
Total			\$ 137,534.94	\$ 74,272.29
Tax Credit			(10,274.25)	(5,548.35)
Net Tax			\$ 127,260.69	\$ 68,723.94
			Refund	\$ 58,536.75

II

3.1

R. O. No. 25 - 16 - 17. By CITY CLERK. May 16, 2016.

Submitting a claim from American Orthodontics Corp. for a refund for personal property taxes assessed for the 2015 tax year.

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City Clerk

*Finance*

'16 AM11:21



May 5, 2016

American Orthodontics  
3524 Washington Avenue  
Sheboygan, WI 53081

www.americanortho.com

1 800 558 7687  
+1 920 457 5051 office  
+1 920 457 1485 fax

Ms. Susan Richards  
City Clerk – City Of Sheboygan  
828 Center Ave.  
Sheboygan, WI 53081-4442

MAY 9 '16 AM11:22  
claim # 02-16

Re: American Orthodontics Corp.

2015 personal property tax

Local Key Number 59281990080

Dear Ms. Richards:

We hereby file a claim for refund under Wisconsin Statutes 74.37 [Claim on excessive assessment] for personal property taxes assessed to this taxpayer for the 2015 tax year. The claim relates to property that was deemed exempt by the State Board of Assessors.

American Orthodontics Corp. filed a manufacturing personal property tax return for the 2015 tax year with the Department of Revenue. A timely appeal was filed to the Board of Assessors contesting the value determined by the Department of Revenue. The Board of Assessors issued their determination on March 31, 2016 reducing the full value from \$4,900,700 to \$2,646,500 (see attachment). Using the 2015 Sheboygan rate of \$25.9678587 per \$1000, the net refund would be \$58,536.75.

American Orthodontics Corp. paid the assessed 2015 tax of \$127,260.68 on January 25, 2016. Therefore, the claim for refund is in the amount of \$58,536.75 plus any applicable interest under 74.37(5).

Sincerely,

A handwritten signature in black ink, appearing to read 'Kristine Blommel', written in a cursive style.

Kristine Blommel, CFO

American Orthodontics Corporation

enclosure

STATE BOARD OF ASSESSORS  
NOTICE OF DETERMINATION

AMERICAN ORTHODONTICS CORP, PETITIONER  
APPEAL NO. 81-066-PPO-15  
STATE IDENTIFICATION NO. 81-59-281-P-000013288

VS

WISCONSIN DEPARTMENT OF REVENUE, RESPONDENT

TO:  
AMERICAN ORTHODONTICS CORP  
PO BOX 1048  
SHEBOYGAN WI 53082-1048

AND:  
SUSAN RICHARDS - CLERK  
C OF SHEBOYGAN  
828 CENTER AVE  
SHEBOYGAN WI 53081-4442

PLEASE TAKE NOTICE that the objection to the 2015 assessment for the above-listed account has been reviewed by the State Board of Assessors pursuant to sec. 70.995 (8)(a), Wis. Stats., and that this Board has determined that the property in question be assessed as follows:

AGGREGATE RATIO: 0.995643990

	ORIGINAL FULL VALUE <u>ASSESSMENT</u>	REVISED FULL VALUE <u>ASSESSMENT</u>	ORIGINAL EQUATED VALUE <u>ASSESSMENT</u>	REVISED EQUATED VALU <u>ASSESSMENT</u>
Boats & Watercraft	\$0	\$0	\$0	\$0
Machinery & Equipment	\$635,500	\$150,900	\$632,700	\$150,200
Furniture & Fixtures	\$1,987,600	\$1,784,000	\$1,978,900	\$1,776,200
All Other	\$2,299,100	\$723,300	\$2,289,100	\$720,100
Buildings on Leased Land	\$0	\$0	\$0	\$0
Total	\$4,922,200	\$2,658,200	\$4,900,700	\$2,646,500
Exempt Computers	\$2,579,100	\$3,208,100	N/A	N/A

Interest per sec. 70.511(2)(b), Wis. Stats., is not applicable.

You shall be deemed to have accepted this determination unless you notify the Wisconsin Tax Appeals Commission of your desire to present testimony before that Commission challenging the assessed value here determined. The proper forms may be obtained by writing or calling:

Wisconsin Tax Appeals Commission  
5005 University Ave., Suite 110  
Madison, WI 53705  
(608) 266-1391

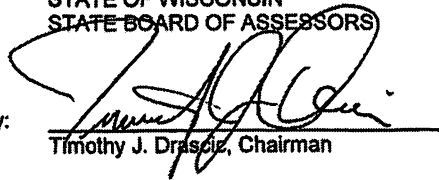
# 127,260.69 - # 68,723.9  
D.H. # 58,536.75

APPEALS MUST BE FILED WITH THE TAX APPEALS COMMISSION WITHIN 60 DAYS OF THE DATE ON THIS ORDER as set forth in sec. 73.01(5), Wis. Stats.

Dated at Madison, Wisconsin, this 31st day of March 2016

cc: DARYL OHLAND  
WIPFLI LLP  
2901 E ENTERPRISE AVE STE 500  
APPLETON WI 54913-7401  
Bonnie Jorstad (TAC)  
Green Bay Manufacturing & Utility District Office

STATE OF WISCONSIN  
STATE BOARD OF ASSESSORS

By:   
Timothy J. Drascie, Chairman



**State of Wisconsin** • DEPARTMENT OF REVENUE  
REPORT TO THE STATE BOARD OF ASSESSORS

**COPY**

<b>ASSESSMENT DATE</b>	January 1, 2015
<b>APPEAL NUMBER</b>	81-056-PPO-15
<b>STATE IDENTIFICATION NUMBER</b>	81-59-281-P000013288
<b>LOCAL TAX KEY NUMBER</b>	59281990080
<b>TYPE OF APPEAL</b>	Personal Property
<b>SITUS ADDRESS</b>	3524 Washington Ave. City of Sheboygan
<b>APPELLANT</b>	American Orthodontics Corp. 3524 Washington Ave. Sheboygan, WI 53082
<b>APPELLANT'S AGENT</b>	Daryl Ohland 2901 E. Enterprise Ave, Suite 500 Appleton, WI 54913
<b>ASSESSOR</b>	Michael Gaworek

**I. Issue**



This report is written in response to an appeal filed with the State Board of Assessors.

The appellant states: "See attached"

	<b>DOR 2015 Full Value</b>	<b>Appellant's Opinion of Value</b>
Boats & Watercraft	\$0	\$0
Machinery & Equipment	\$635,500	\$98,600
Furniture & Fixtures	\$1,987,600	\$1,917,900
Other	\$2,299,100	\$760,100
Buildings on Leased Land	\$0	\$0
<b>TOTAL</b>	<b>\$4,922,200</b>	<b>\$2,776,600</b>
Exempt Computer	\$2,579,100	\$2,579,100

**II. Assessment Recommendation**

I recommend the State Board of Assessors issue a determination that the January 1, 2015, assessment be reduced as follows:

	<b>DOR 2015 Full Value</b>	<b>Recommended Full Value</b>	<b>Change (Dollars)</b>
Boats & Watercraft	\$0	\$0	\$0
Machinery & Equipment	\$635,500	\$150,900	(\$484,600)
Furniture & Fixtures	\$1,987,600	\$1,784,000	(\$203,600)
Other	\$2,299,100	\$723,300	(\$1,575,800)
Buildings on Leased Land	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$4,922,200</b>	<b>\$2,658,200</b>	<b>(\$2,264,000)</b>
Exempt Computer	\$2,579,100	\$3,208,100	\$629,000

### III. Valuation Issues and Conclusions

**COPY**

The appellant's attachments is an equipment asset list and is confidential.

The subject property real estate and personal property were field audited on 4/27/2015, before setting the 2015 assessment. The appellant then filed an appeal for both the real estate and personal property contesting the 2015 assessments.

Due to the question of taxability of a number of personal property items, an onsite review was performed on 12/10/2015, with the appellant's employee, appellant's agent, DOR appraiser, and DOR district manager.

The items under review included the following:

- Laser printer
- Digital scanners
- Gas supply, monitoring, and alarm equipment
- Leasehold improvements including cabinets and electrical switchgears
- Building feeder wiring
- Data and network cabling
- Phone system

American Orthodontics and DOR reviewed each item of contention:

- The laser printer was found to be used as manufacturing production equipment and is exempt pursuant to Sec. 70.11(27), Wis. Stats.
- The digital scanners were found to only operate as computer peripherals and are exempt pursuant to Sec. 70.11(39), Wis. Stats.
- Gas supply piping and pressure valves were found to be used as manufacturing production equipment and are exempt pursuant to Sec. 70.11(27), Wis. Stats.
- The gas system alarm remained taxable.
- Leasehold improvements including cabinets and electrical switchgears were moved from personal property to real estate and included in the real estate assessment.
- Building feeder wiring was found to be equipment power wiring and exempt pursuant to Sec. 70.11(27), Wis. Stats.
- Data and network cabling was found to only operate as computer peripherals and are exempt pursuant to Sec. 70.11(39), Wis. Stats.
- The phone system remained taxable.

DOR asked American Orthodontics to submit an amended 2015 M-P Form.

With these revisions, the amended 2015 M-P Form reflects an accurate record of the taxable and exempt personal property assets at issue. As the best evidence of value, it is the basis for the revised assessment.

Interest per section 70.511(2)(b) Wisconsin Statutes is not applicable.  
Form was filed with errors.

The original M-P  
**COPY**

School District Code/UHS	5271
TID	N/A
Special District Code	N/A
Technical College	1100

*Michael Gaworek*

Michael Gaworek  
State of Wisconsin - Assessor II

*2/29/2016*

Date

**ATTACHMENTS**



Board of Assessor Appeal # 81-056-PPO-15

Notice of Personal Property Assessment .....A-1

Form of Objection.....A-2

**COPY**

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2015 Notice of Personal Property Assessment

Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
200 N Jefferson St Ste 126  
Green Bay, WI 54301-5100

Notice date Jun 15, 2015  
State ID no. 81-59-281-P000013288  
County of 81-59 Sheboygan  
Taxation district 281 C of Sheboygan  
DOR account no. 000013288  
School code 5271  
Special districts

AMERICAN ORTHODONTICS  
CORPORATION  
3524 WASHINGTON AVE  
PO BOX 1048  
SHEBOYGAN WI 53082-1048

Boats & watercraft	\$	0
Machinery & equipment		635,500
Furniture & fixtures		1,987,600
All other		2,299,100
Buildings on leased land		0
<b>Total</b>	<b>\$</b>	<b>4,922,200</b>

**Contact Information**

If you have any questions, contact the Manufacturing & Utility Bureau District Office in your area at [mfgtel81@revenue.wi.gov](mailto:mfgtel81@revenue.wi.gov) or (920) 448-5191.

See other side for appeal procedures

MFGAA103WM (R. 04-15)

The assessment on the front of this notice is made at 100% full market value as of January 1, 2015. The Wisconsin Department of Revenue (DOR) will equate the assessment to the general level of assessment of all other property in the taxation district. Local tax rates are used to calculate the property tax levy.

If you have any questions about your assessment, email or call the district office under "Contact Information" on the front of this notice. If you disagree with this notice after discussing with the district office, you may send an appeal to the State Board of Assessors (BOA).

**How to appeal**

1. File your appeal using the appropriate DOR objection form located on our website: [revenue.wi.gov/forms/manuf](http://revenue.wi.gov/forms/manuf)
2. You must file your appeal no later than 60 days after the date on this Notice, under state law (sec. 70.995(8)(b)1 and sec. 70.995(8)(d), Wis. Stats.)

**Your appeal is considered timely filed if one of the following occurs:**

- The BOA receives it with the filing fee, by the 60th day
- You send it by certified mail with the filing fee, and it is postmarked before midnight of the 60th day

**Send the following to the address below**

1. Your objection form
2. A \$45 filing fee (payable to "Wisconsin Department of Revenue") for each objection form you submit
3. Two copies of supporting documents for the appeal (ex: appraisals, listing contracts, EPA clean-up orders)

**Appeals address**

State Board of Assessors, Wisconsin Department of Revenue, PO Box 8971, MS 6-87, Madison WI 53708-8971

**Objection to  
Manufacturing Personal Property Assessment**

Wisconsin  
Department of Revenue  
**COPY**

Complete all sections See Filing Requirements on page 2

**Section 1: Who is filing this objection? (check one)**

Property owner/agent \*  Municipality/agent \* \*If agent, submit written authorization with this form

**Section 2: Property Owner and Property Information**

Property owner name (on assessment notice) <b>American Orthodontics Corporation</b>			Taxation district (Check one) <input type="checkbox"/> Town <input type="checkbox"/> Village <input checked="" type="checkbox"/> City		County <b>Sheboygan</b>
Mailing address <b>PO Box 1048</b>			Street address of property <b>3524 Washington Avenue</b>		
City <b>Sheboygan</b>	State <b>WI</b>	Zip <b>53082-1048</b>	City <b>Sheboygan</b>	State <b>WI</b>	Zip <b>53082</b>

**Section 3: Contact Information**

Name / title (owner, agent, officer) <b>Daryl Ohland</b>			Company name <b>Wipfli LLP</b>		
Mailing address <b>2901 E Enterprise Ave Suite 500</b>			Phone <b>(920) 832 - 2437</b>	Fax <b>(920) 739 - 6707</b>	
City <b>Appleton</b>	State <b>WI</b>	Zip <b>54913</b>	Email <b>Dohland@wipfli.com</b>		

**Section 4: Assessment Information and Opinion of Value**

Date of Personal Property Assessment Notice (mm-dd-yyyy) <b>08 - 15 - 2015</b>	State ID no. (on notice) <b>8 1 5 9 2 8 1 P 0 0 0 0 1 3 2 8 8</b>
Assessment as shown on notice:	Your opinion of value:
Boats and watercraft ..... <u>0</u>	Boats and watercraft ..... <u>0</u>
Machinery and equipment ..... <u>635,500</u>	Machinery and equipment ..... <u>98,600</u>
Furniture and fixtures ..... <u>1,987,600</u>	Furniture and fixtures ..... <u>1,917,900</u>
All other personal property ..... <u>2,299,100</u>	All other personal property ..... <u>760,100</u>
Buildings on leased land ..... _____	Buildings on leased land ..... <u>0</u>
<b>Total ..... <u>4,922,200</u></b>	<b>Total ..... <u>2,776,600</u></b>

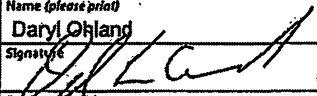
**Section 5: Reason for Objection and Basis of Estimate**

Reason(s) for your objection: (Attach additional sheets if needed) <b>See attached</b>	Basis for your opinion of value: (Attach additional sheets if needed) <b>See attached</b>
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**Section 6: Submitting Additional Information**

Under state law (sec. 70.995(8)(c)2., Wis. Stats.), you may submit additional information to the State Board of Assessors (BOA) within 60 days of your appeal.  
 I hereby waive my right to provide additional information to the BOA under sec. 70.995(8)(c)2., Wis. Stats.

I, the undersigned, declare under penalties of law that I have personally examined this form and supplemental documents. To the best of my knowledge and belief it is true, correct and complete.

Owner / Authorized Agent Sign Here	Name (please print) <b>Daryl Ohland</b>	Date (mm-dd-yyyy) <b>08 - 14 - 2015</b>
	Signature 	
	Company or title <b>Director - State and Local Taxes</b>	

For Department Use Only.  
BOA# **81-056-PP0-15**



PROPERTY NUMBER: 59281990080

CITY OF SHEBOYGAN  
SHEBOYGAN COUNTY

837

Assessed Value Land	Ass'd Value Improve	Tot Assessed Value	Avg. Assmt. Ratio	Est. Fair Mkt. Land	Est. Fair Mkt. Improve	Tot Est. Fair Mkt.		A star in this box means unpaid prior year tax
		4,900,700	99.564			4,922,140		
TAXING JURISDICTION		2014	2015	2014	2015			NET PROPERTY TAX 127260.68
		Est. State Aids Allocated Tax Dist	Est. State Aids Allocated Tax Dist	Not Tax	Net Tax	% Tax Change		
STATE				690.78	834.97	20.9		
COUNTY		1607575	1536231	22335.33	27673.53	23.9		
C-SHEBOYGAN		13295672	13211594	37608.74	46536.26	23.7		
SCHL - 5271		51856061	53454830	42585.30	48273.10	13.4		
TCDB 11		719585	2850205	3171.74	3942.82	24.3		
TOTAL		67478893	71052860	106391.89	127260.68	19.6		TOTAL DUE FOR FULL PAYMENT PAY BY JANUARY 31, 2016 \$127260.68
School taxes reduced by school levy tax credit		10274.26						
			Lottery & Gaming Credit	106391.89	127260.68	19.6		
			Net Property Tax	106391.89	127260.68	19.6		

3524 WASHINGTON & 1536 N 18TH

AMERICAN ORTHODONTICS CORP  
3524 WASHINGTON AVE  
PO BOX 1048  
SHEBOYGAN WI 53082-1048

1st Assessed Value Rate (Does NOT reflect Lottery Credit)  
25.9678587

Warning: If not paid by due dates, installment option is lost and total tax is delinquent and subject to interest and, if applicable, penalty. Failure to pay on time. See Reverse

1st Installment by JANUARY 31, 2016 127260.68  
2nd Installment by JULY 31, 2016

SEE REVERSE SIDE FOR IMPORTANT INFORMATION  
RETAIN THIS PORTION AS YOUR COPY

TEAR HERE

TEAR HERE

TEAR OFF THIS STUB AND INCLUDE WITH FIRST INSTALLMENT PAYMENT  
PERSONAL PROPERTY TAX BILL FOR 2015



AC110053

Please make all payments to the City of Sheboygan.

Property Number: 59281990080

Pay 1st Installment - \$127260.68

Or

Pay Full Payment - \$127260.68

By January 31, 2016

Name: AMERICAN ORTHODONTICS CORP  
3524 WASHINGTON AVE  
PO BOX 1048  
SHEBOYGAN WI 53082-1048

Property Address: 3524 WASHINGTON & 1536 N 18TH

Municipality/Location	Collection Dates	Times	Bank Collection Site In Person in Lobby Only	Bank Lobby Hours Tax Bill Must Accompany Payment
City of Sheboygan	In person payments should be made at 1 of the 4 Wisconsin Bank & Trust lobby locations.		Wisconsin Bank & Trust Lobby 4210 Highway 42, Sheboygan 655 S Taylor Drive, Sheboygan 604 N 8th Street, Sheboygan 3220 S Business Drive, Sheboygan	Lobby hours: Bring tax bill and payment. Mon-Fri 9:00 AM - 5:00 PM Closed at Noon 12/24, all day 11/26, 12/25, 1/01, & 1/18.

Online Payments: Visit [www.sheboyganwi.gov](http://www.sheboyganwi.gov) - Click on property tax payment options banner on homepage. Service Fees will apply.

Drop Box: City Hall, 828 Center Avenue, Sheboygan, WI 53081. Box located at the front door to the building.

Dates Municipality Closed: NA

Other Drop Off Site: None

Telephone: 920-459-0292 Tax payment information online at [www.sheboyganwi.gov](http://www.sheboyganwi.gov). Click on property tax payment options.

Make check payable and mail to:

City of Sheboygan  
828 Center Ave, Suite 205  
Sheboygan WI 53081

Warning: If not paid by due dates, installment option is lost and total tax is delinquent and subject to interest and applicable penalty. (See Reverse)

Accrued

2331100

Atty Adams  
- left message 4-7-16  
Called again  
4-21-16 no return

2015  
copies

left v.m.  
Susan Richards  
10am 4-21-16  
no return

**CITY OF SHEBOYGAN**

**REQUEST FOR FINANCE COMMITTEE CONSIDERATION**

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**ITEM DESCRIPTION:** Eliminate organization code for the Assessor's Office in the 2017 Budget and amend the Table of Organization to establish oversight for Assessing functions by the Finance Department

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**REPORT PREPARED BY:** Nancy Buss, Finance Director

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**REPORT DATE:** May 13, 2016

**MEETING DATE:** May 23, 2016

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**FISCAL SUMMARY:**

Budget Line Item: 10116100  
Budget Summary: N/A  
Budgeted Expenditure: N/A  
Budgeted Revenue: N/A

**STATUTORY REFERENCE:**

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

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**BACKGROUND / ANALYSIS:**

RES No. 103-15-16, approved by the Common Council contracted with Grota Appraisal LLC to perform all functions of the assessment office for a period of three years, January 1, 2016 through December 31, 2018. As a result, the City no longer has City employees involved in Assessing activities.

**STAFF COMMENTS:**

Presently, the Table of Organization identifies that the Assessing function reports directly to the City Administrator. In the past, the Finance Department worked extensively with the Assessor verifying valuations and State reports, as well as certifying the valuations transferred to the County for the tax roll. As the Finance Department is responsible for the tax roll, oversight of the assessing functions is appropriately an extension of the Finance Department.

**ACTION REQUESTED:**

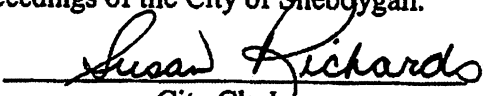
Motion to recommend the Finance Committee eliminate the organization code for the Assessor's Office in the 2017 Budget, amend the Table of Organization and establish oversight for Assessing activities with the Finance Department.

**ATTACHMENTS:**

- I. RES. No. 103-15-16

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.

  
City Clerk



Res. No. 103 - 15 - 16. By Alderpersons Hammond, Kath, Carlson, Donohue  
and Wolf. November 16, 2015

A RESOLUTION authorizing the Purchasing Agent to enter into contract  
for Assessment Services for the City of Sheboygan.

WHEREAS, the City Assessor has declared his intent to retire on March  
1, 2016;

WHEREAS, the Common Council directed the Purchasing Agent to act on  
behalf of the City of Sheboygan to requests proposals;

WHEREAS, Two bids were received which met the specifications, Grota  
Appraisals, LLC and Tyler Technologies.

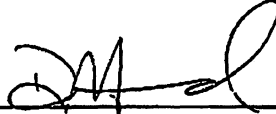
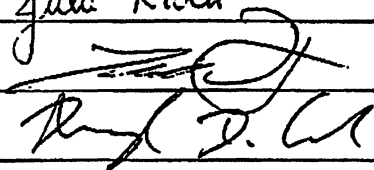
WHEREAS, An analysis of the proposals by the Purchasing Agent and  
the Assessor deemed the most advantageous proposal to the City is from  
Grota Appraisals, LLC.

WHEREAS, The savings for contracting are: 2016 will be \$84,098; for  
2017 \$150,342 and 2018 \$149,896 for a total of \$384,336 for the three year  
period.

*Handwritten notes:*  
103-15-16  
KATH HAMMOND  
KATH HAMMOND

RESOLVED: That the Purchasing Agent is hereby authorized to enter into contract with Grota Appraisals, LLC for Assessor Services for the period of January 1, 2016 through December 31, 2018 in the amount of \$255,000 for 2016; \$255,000 for 2017 and \$261,100 for 2018 for a three year total of \$771,000.

BE IT FURTHER RESOLVED: That the funding for this expenditure is to be taken from Account 10116100-521900.

  
\_\_\_\_\_  
Julie Kath  
  
\_\_\_\_\_  
Roy D. W.  
\_\_\_\_\_  
\_\_\_\_\_

I HEREBY CERTIFY that the foregoing Resolution was duly passed by the Common Council of the City of Sheboygan, Wisconsin, on the 7<sup>th</sup> day of

December, 2015.

Dated December 11 2015. Lucan Richards, City Clerk

Approved December 11 2015. Michael J. Rudolph Mayor

Proceedings Published December 12, 2015.  
Resolutions Published December 12, 2015.  
Certified December 14, 2015 to - Fin. Dir./Treas.; CAO; Purchasing Agent

**CITY OF SHEBOYGAN**

**REQUEST FOR FINANCE COMMITTEE CONSIDERATION**

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**ITEM DESCRIPTION:** RES -16-17, A Resolution revising the travel expense guidelines adopted by Res. No. 64-78-79, as revised.

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**REPORT PREPARED BY:** Nancy Buss, Finance Director

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**REPORT DATE:** May 17, 2016

**MEETING DATE:** May 23, 2016

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**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

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**BACKGROUND / ANALYSIS:**

Res 64-78-79 established the reimbursements for meals while an employee is travelling for business purposes. Currently the allowance requires itemized receipts and reimburses for a specific amount for breakfast, lunch or dinner. The proposed change will establish reimbursement per the standard meal allowance as established by the Federal US Government Services Administration (GSA).

**STAFF COMMENTS:**

The resolution before the Committee recommends replacing a specific amount of reimbursement per meal with the standard meal allowance established by GSA. GSA conducts a study of the meal and incidental reimbursement rates every three to five years based upon the recommendations of the Government wide Travel Advisory Committee.

**ACTION REQUESTED:**

Motion to recommend the Common Council approve Res -16-17 to reimburse employee travel per GSA guidelines.

**ATTACHMENTS:**

- I. Proposed Resolution
- II. GSA Per Diems Rates for Wisconsin

# FY 2016 Per Diem Rates for Wisconsin

(October 2015 - September 2016)

Cities not appearing below may be located within a county for which rates are listed.

To determine what county a city is located in, visit the National Association of Counties (NACO) website (a non-federal website).

You searched for: **Wisconsin**

Primary Destination (1, 2)	County (3, 4)	Max lodging by Month (excluding taxes)												M&IE (5)	
		2015			2016										
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
Standard Rate	Applies for all locations without specified rates	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$51
Appleton	Outagamie	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$64
Brookfield / Racine	Waukesha / Racine	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$59
Madison	Dane	\$127	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$127	\$59
Milwaukee	Milwaukee	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$115	\$64
Sheboygan	Sheboygan	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$94	\$94	\$94	\$89	\$59
Sturgeon Bay	Door	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$89	\$93	\$93	\$89	\$54
Wisconsin Dells	Columbia	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$116	\$116	\$116	\$116	\$59

- I. The table also lists the portion of the M&IE rate that is provided for incidental expenses (currently \$5 for all tiers).

Total	Continental Breakfast/ Breakfast	Lunch	Dinner	IE
\$51	\$11	\$12	\$23	\$5
\$54	\$12	\$13	\$24	\$5
\$59	\$13	\$15	\$26	\$5
\$64	\$15	\$16	\$28	\$5
\$69	\$16	\$17	\$31	\$5
\$74	\$17	\$18	\$34	\$5

A RESOLUTION revising the travel expense guidelines adopted by Res. No. 64-78-79, as revised,

RESOLVED: That Section II is hereby amended as follows:

Section II. Meals

- A. In no case will employees be reimbursed for meals when they are within 15 minutes of their home base of operations.
- B. Meal reimbursements will be the standard meal allowance as established by the Federal US Government Services Administration (GSA). The set amount varies depending on where and when you travel. Using the standard meal allowance requires records to prove the time, place, and business purpose of your travel. The standard meal allowance is for a full 24-hour day of travel. If you travel for part of a day, such as on the days you depart and return, reimbursement requests should reflect only those meals during travel time. Separate amounts for breakfast, lunch and dinner are listed in the chart. Instances when actual expenses are more than the federal rate can be included with documentation/justification.
- G. No reimbursement will be made for the cost of alcoholic beverages.
- H. Meals reimbursed through grant funds will require itemized receipts.