

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

CITY OF SHEBOYGAN, WISCONSIN

December 31, 2015

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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.



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
ASSETS					
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	-	-
TOTAL ASSETS	201,834,237	89,758,932	291,593,169	6,614,592	39,579
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	5,302,257	942,792	6,245,049	-	-
LIABILITIES					
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	-
TOTAL LIABILITIES	45,665,090	23,279,065	68,944,155	231,154	13,175
DEFERRED INFLOWS OF RESOURCES					
Property taxes	24,280,057	511,547	24,791,604	-	-
NET POSITION					
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	-
TOTAL NET POSITION	\$ 137,191,347	\$ 66,911,112	\$ 204,102,459	\$ 6,383,438	\$ 26,404

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
Primary Government				
Governmental Activities				
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	-	-	-
Total Governmental Activities	48,543,944	7,118,313	4,627,265	2,067,816
Business-type Activities				
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	-	-
Total Business-type Activities	17,236,964	16,451,074	2,644,412	796,432
Total Primary Government	\$ 65,780,908	\$ 23,569,387	\$ 7,271,677	\$ 2,864,248
Component Units				
Housing Authority of the City of Sheboygan	\$ 2,218,678	\$ 1,041,432	\$ 782,810	\$ -
Harbor Centre Business Improvement District	135,737	127,831	-	-
	\$ 2,354,415	\$ 1,169,263	\$ 782,810	\$ -

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)	-	-
(34,730,550)	-	(34,730,550)	-	-

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

-	-	-	(394,436)	-
-	-	-	-	(7,906)
-	-	-	(394,436)	(7,906)

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)	-	-	-
41,666,109	(680,095)	40,986,014	126,903	41
6,935,559	1,974,859	8,910,418	(267,533)	(7,865)
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	-	-
130,255,788	64,936,253	195,192,041	6,650,971	34,269
\$ 137,191,347	\$ 66,911,112	\$ 204,102,459	\$ 6,383,438	\$ 26,404

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
ASSETS					
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
TOTAL ASSETS	\$ 40,775,064	\$ 10,206,706	\$ 7,745,517	\$ 26,346,746	\$ 85,074,033
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
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
Total Liabilities	2,082,450	-	1,409,072	5,493,612	8,985,134
Deferred Inflows of Resources					
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
Total Deferred Inflows of Resources	15,131,029	3,115,382	3,062,794	11,605,604	32,914,809
Fund Balances					
Nonspendable					
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
Restricted					
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
Committed					
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
Assigned					
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
Total Fund Balances	23,561,585	7,091,324	3,273,651	9,247,530	43,174,090
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 40,775,064	\$ 10,206,706	\$ 7,745,517	\$ 26,346,746	\$ 85,074,033

(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)	<u>(39,827,402)</u>

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
Revenues					
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
Total Revenues	34,426,556	3,478,125	3,978,687	10,980,826	52,864,194
Expenditures					
Current					
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
Debt service					
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
Total Expenditures	34,348,224	4,307,617	3,148,553	9,272,024	51,076,418
Excess of Revenues Over (Under)					
Expenditures	78,332	(829,492)	830,134	1,708,802	1,787,776
Other Financing Sources (Uses)					
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)
Total Other Financing Sources (Uses)	2,478,554	1,398,610	(67,341)	(41,685)	3,768,138
Net Change in Fund Balances	2,556,886	569,118	762,793	1,667,117	5,555,914
Fund Balances - January 1, as originally reported	21,004,699	4,522,206	2,510,858	7,580,413	35,618,176
Prior Period Adjustment	-	2,000,000	-	-	2,000,000
Fund Balances - January 1, restated	21,004,699	6,522,206	2,510,858	7,580,413	37,618,176
Fund Balances - December 31	\$ 23,561,585	\$ 7,091,324	\$ 3,273,651	\$ 9,247,530	\$ 43,174,090

(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		
Revenues				
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
Total Revenues	32,902,886	33,045,716	34,426,556	1,380,840
Expenditures				
General Government				
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
Total General Government	4,558,088	4,778,536	3,886,099	892,437
Public Safety				
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
Total Public Safety	20,891,236	21,329,672	20,481,643	848,029
Public Works				
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
Total Public Works	7,168,407	7,470,262	6,711,257	759,005
Health and Human Services				
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		
Culture and Recreation				
Park department	2,365,470	2,484,043	2,310,398	173,645
Senior citizen center	179,053	180,303	160,361	19,942
Total Culture and Recreation	2,544,523	2,664,346	2,470,759	193,587
Conservation and Development				
City development	266,574	565,549	565,125	424
Total Expenditures	35,677,840	37,070,049	34,348,224	2,721,825
Excess of Revenues Over (Under) Expenditures	(2,774,954)	(4,024,333)	78,332	4,102,665
Other Financing Sources (Uses)				
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
Total Other Financing Sources (Uses)	2,774,954	2,340,359	2,478,554	138,195
Net Change in Fund Balance	-	(1,683,974)	2,556,886	4,240,860
Fund Balance - January 1	21,004,699	21,004,699	21,004,699	-
Fund Balance - December 31	\$ 21,004,699	\$ 19,320,725	\$ 23,561,585	\$ 4,240,860

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		
ASSETS						
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
TOTAL ASSETS	31,583,730	51,465,866	4,877,763	2,833,222	90,760,581	19,167,573
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	230,977	329,135	371,825	10,855	942,792	157,630
LIABILITIES						
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	-
TOTAL LIABILITIES	10,595,424	13,851,716	139,777	31,796	24,618,713	1,950,929
DEFERRED INFLOWS OF RESOURCES						
Property taxes	-	-	511,547	-	511,547	-
NET POSITION						
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
TOTAL NET POSITION	\$ 21,219,283	\$ 37,943,285	\$ 4,598,264	\$ 2,812,281	66,573,113	17,374,274
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		
Operating Revenues						
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
Total Operating Revenues	<u>6,996,619</u>	<u>8,144,392</u>	<u>836,955</u>	<u>473,108</u>	<u>16,451,074</u>	<u>10,155,163</u>
Operating Expenses						
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
Total Operating Expenses	<u>6,266,063</u>	<u>5,335,608</u>	<u>4,342,189</u>	<u>466,490</u>	<u>16,410,350</u>	<u>11,643,334</u>
Operating Income (Loss)	<u>730,556</u>	<u>2,808,784</u>	<u>(3,505,234)</u>	<u>6,618</u>	<u>40,724</u>	<u>(1,488,171)</u>
Nonoperating Revenues (Expenses)						
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
Total Nonoperating Revenues (Expenses)	<u>(98,146)</u>	<u>(351,135)</u>	<u>3,211,704</u>	<u>31,524</u>	<u>2,793,947</u>	<u>298,766</u>
Income (Loss) Before Contributions and Transfers	<u>632,410</u>	<u>2,457,649</u>	<u>(293,530)</u>	<u>38,142</u>	<u>2,834,671</u>	<u>(1,189,405)</u>
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)
Change in Net Position	<u>369,485</u>	<u>2,067,750</u>	<u>(295,071)</u>	<u>43,748</u>	<u>2,185,912</u>	<u>121,706</u>
Net Position - January 1, as originally reported	<u>20,478,656</u>	<u>35,309,782</u>	<u>4,239,254</u>	<u>2,753,131</u>	<u>62,780,823</u>	<u>17,019,584</u>
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)	<u>397,621</u>	<u>565,753</u>	<u>668,176</u>	<u>20,198</u>	<u>1,651,748</u>	<u>304,494</u>
Net position - January 1, restated	<u>20,849,798</u>	<u>35,875,535</u>	<u>4,893,335</u>	<u>2,768,533</u>	<u>64,387,201</u>	<u>17,252,568</u>
Net Position - December 31	<u>\$ 21,219,283</u>	<u>\$ 37,943,285</u>	<u>\$ 4,598,264</u>	<u>\$ 2,812,281</u>	<u>\$ 66,573,113</u>	<u>\$ 17,374,274</u>
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
Change in Net Position, as reported in the Statement of Activities in the government-wide financial statements					<u>\$ 1,974,859</u>	<u>\$ 332,759</u>

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

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

	Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Sewerage System	Water Utility	Transit Commission	Nonmajor Enterprise Funds		
Cash Flows from Operating Activities						
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)
Net Cash Provided (Used) by Operating Activities	1,933,438	4,057,778	(2,901,251)	9,252	3,099,217	(460,485)
Cash Flows from Noncapital and Related Financing Activities						
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)	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(362,970)	(1,082,348)	3,209,790	1,255	1,765,727	1,311,111
Cash Flows from Capital and Related Financing Activities						
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	-
Net Cash Used by Capital and Related Financing Activities	(1,862,946)	(2,815,776)	(3,979)	(295,605)	(4,978,306)	(584,318)
Cash Flows from Investing Activities						
Interest received	122,491	9,128	24,678	24,679	180,976	176,777
Change in Cash and Cash Equivalents	(169,987)	168,782	329,238	(260,419)	67,614	443,085
Cash and Cash Equivalents - January 1	6,488,699	6,399,399	2,113,707	1,456,045	16,457,850	12,298,384
Cash and Cash Equivalents - December 31	\$ 6,318,712	\$ 6,568,181	\$ 2,442,945	\$ 1,195,626	\$ 16,525,464	\$ 12,741,469

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		
Reconciliation to Statement of Net Position						
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>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
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)	-
Net Cash Provided (Used) by Operating Activities	<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>
Noncash Investing, Capital and Financing Activities						
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
ASSETS			
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
TOTAL ASSETS	\$ 42,350,030	\$ 146,745	\$ 42,496,775
LIABILITIES			
Liabilities			
Accounts payable	\$ 1,078	\$ -	\$ 1,078
Due to other governments	42,348,952	146,745	42,495,697
Total Liabilities	\$ 42,350,030	\$ 146,745	\$ 42,496,775

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. 8th 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
Totals	\$89,542,369	\$ -	\$36,108,124	\$ -	\$ -	\$53,434,245

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	-	-	-
Totals	\$ 89,542,369	\$ 44,965,961	\$ 11,190,459	\$ 32,050,072	\$ 1,335,877

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
Governmental activities:					
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><u>\$ 68,762,742</u></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
Business-type activities:					
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:

Governmental activities		
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>
 Business-type activities		
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><u>\$ 5,870,668</u></u>
Government fund transfers in		\$ 4,275,446
Less: Fund eliminations		(2,830,255)
Total Transfers - Government-wide Statement of Activities		<u><u>\$ 1,445,191</u></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
Governmental activities:					
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	\$ 41,113,735	\$ 7,576,538	\$ 9,222,341	\$ 39,467,932	\$ 6,127,511
Business-type activities:					
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	\$ 21,371,473	\$ 1,641,800	\$ 1,922,796	\$ 21,090,477	\$ 1,470,067

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
General Obligation Debt					
General Obligation Bonds					
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
Total General Obligation Bonds					<u><u>23,275,000</u></u>
General Obligation Notes					
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
Promissory Notes					
(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
Total General Obligation Notes					<u><u>9,800,255</u></u>
Total					<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	<u>120,376,600</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 33,075,255
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>10,364,975ⁿ</u>
Net outstanding general obligation debt applicable to debt limitation	<u>22,710,280</u>
Legal Margin for New Debt	<u>\$ 97,666,320</u>

Mortgage Notes

Mortgage notes currently outstanding consist of a note with the Sheboygan Development Corporation. A repayment schedule does not exist as of December 31, 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
Sewerage System					
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>
Water Utility					
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
Health Insurance				
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
Workers Compensation				
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
Total Cumulative Effect of Change in Accounting Principle	\$ 10,242,361	\$ 304,494	\$ 10,546,855

	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
Total Cumulative Effect of Change in Accounting Principle	\$ 565,753	\$ 397,621	\$ 668,176	\$ 20,198	\$ 1,651,748	\$ 12,198,603

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
Totals	\$ 2,725,466	\$ -	\$ -	\$ 1,406,707	\$ 1,318,759

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	-	-	-
Totals	\$ 2,725,466	\$ 1,250,845	\$ 67,914	\$ 1,112,563	\$ 294,144

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>-</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
ASSETS						
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	-	-	-	-	-	-
TOTAL ASSETS	\$ 4,455,645	\$ 4,127,612	\$ 886,397	\$ 3,411,599	\$ 901,302	\$ 777,924
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
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	-	-	-	-	-	-
Total Liabilities	288,318	-	885,687	237,251	6,941	97,014
Deferred Inflows of Resources						
Property taxes	-	-	-	2,305,741	-	-
Special assessments	-	-	-	-	-	-
Loans receivable	3,582,737	2,365,165	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Total Deferred Inflows of Resources	3,582,737	2,365,165	-	2,305,741	-	-
Fund Balances (Deficits)						
Nonspendable						
Inventories and prepaid items	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Library trust	-	-	-	-	-	-
Restricted						
Capital improvements	-	-	-	-	-	-
Community development	584,590	1,762,447	710	-	-	-
Library trust	-	-	-	-	-	-
Committed						
Wildwood baseball park	-	-	-	-	-	40,000
Assigned						
Unassigned	-	-	-	868,607	894,361	640,910
Total Fund Balances (Deficits)	584,590	1,762,447	710	868,607	894,361	680,910
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,455,645	\$ 4,127,612	\$ 886,397	\$ 3,411,599	\$ 901,302	\$ 777,924

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
\$ 371,694	\$ 23,922	\$ 1,998,203	\$ 1,455,410	\$ -	\$ 37,807	\$ 502,097	\$ 94,105	\$ 19,043,717
\$ 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
3,626,806	3,761	2,200	708	-	21,508	23,461	-	5,193,655
-	-	-	-	-	-	-	-	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)
(3,255,112)	20,161	1,359,728	114,698	-	16,299	317,204	94,105	3,458,708
\$ 371,694	\$ 23,922	\$ 1,998,203	\$ 1,455,410	\$ -	\$ 37,807	\$ 502,097	\$ 94,105	\$ 19,043,717

(Continued)

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

	Capital Project Funds			
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	Total
ASSETS				
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	-	-	-	-
TOTAL ASSETS	\$ 2,965,971	\$ 160,800	\$ 2,105,403	\$ 5,232,174
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
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>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,965,971	\$ 160,800	\$ 2,105,403	\$ 5,232,174

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
<u>\$ 852,583</u>	<u>\$ 1,218,272</u>	<u>\$ 2,070,855</u>	<u>\$ 26,346,746</u>
\$ -	\$ -	\$ -	\$ 736,848
-	-	-	153,939
-	-	-	3,350,199
-	-	-	913,522
-	-	-	339,104
-	-	-	<u>5,493,612</u>
-	-	-	3,369,991
-	-	-	636,275
-	-	-	7,437,906
-	-	-	161,432
-	-	-	<u>11,605,604</u>
-	-	-	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)
<u>852,583</u>	<u>1,218,272</u>	<u>2,070,855</u>	<u>9,247,530</u>
<u>\$ 852,583</u>	<u>\$ 1,218,272</u>	<u>\$ 2,070,855</u>	<u>\$ 26,346,746</u>

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
Revenues						
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
Total Revenues	1,064,608	261,092	710	3,276,724	640,902	1,508,149
Expenditures						
Current						
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
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	602,495	-	-	113,074	74,954	-
Total Expenditures	1,069,979	300,000	-	2,949,071	248,362	583,779
Excess of Revenues Over (Under)						
Expenditures	(5,371)	(38,908)	710	327,653	392,540	924,370
Other Financing Sources (Uses)						
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	119,546	-	-
Transfers out	-	-	-	(153,505)	(275,000)	(759,253)
Total Other Financing Sources (Uses)	-	-	-	(33,959)	(275,000)	(759,253)
Net Change in Fund Balances	(5,371)	(38,908)	710	293,694	117,540	165,117
Fund Balances (Deficits) - January 1	589,961	1,801,355	-	574,913	776,821	515,793
Fund Balances (Deficits) - December 31	\$ 584,590	\$ 1,762,447	\$ 710	\$ 868,607	\$ 894,361	\$ 680,910

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
767,580	28,076	309,597	24,775	6,611	900,234	1,315,091	16,653	10,120,802
-	-	-	-	-	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
1,013,501	31,121	-	66,498	25,596	520,007	605,519	44	7,413,477
(245,921)	(3,045)	309,597	(41,723)	(18,985)	380,227	709,572	16,609	2,707,325
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	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)
(245,921)	533	(138,771)	(41,723)	(18,985)	1,576	(25,833)	16,609	80,267
(3,009,191)	19,628	1,498,499	156,421	18,985	14,723	343,037	77,496	3,378,441
\$ (3,255,112)	\$ 20,161	\$ 1,359,728	\$ 114,698	\$ -	\$ 16,299	\$ 317,204	\$ 94,105	\$ 3,458,708

(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
Revenues				
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
Total Revenues	657,917	160,800	25,070	843,787
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	17,463	17,463
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	1,097,422	-	732,301	1,829,723
Total Expenditures	1,097,422	-	749,764	1,847,186
Excess of Revenues Over (Under)				
Expenditures	(439,505)	160,800	(724,694)	(1,003,399)
Other Financing Sources (Uses)				
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)
Total Other Financing Sources (Uses)	457,120	-	1,975,750	2,432,870
Net Change in Fund Balances	17,615	160,800	1,251,056	1,429,471
Fund Balances (Deficits) - January 1	1,547,265	-	741,231	2,288,496
Fund Balances (Deficits) - December 31	\$ 1,564,880	\$ 160,800	\$ 1,992,287	\$ 3,717,967

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
ASSETS			
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
TOTAL ASSETS	1,928,120	905,102	2,833,222
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	10,855	-	10,855
LIABILITIES			
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
TOTAL LIABILITIES	25,503	6,293	31,796
NET POSITION			
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
TOTAL NET POSITION	\$ 1,913,472	\$ 898,809	\$ 2,812,281

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
Cash Flows from Operating Activities			
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)
Net Cash Provided (Used) by Operating Activities	(24,867)	34,119	9,252
Cash Flows from Noncapital and Related Financing Activities			
Transfers in	5,606	-	5,606
Advances from other funds	-	(4,351)	(4,351)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	5,606	(4,351)	1,255
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(295,605)	-	(295,605)
Cash Flows from Investing Activities			
Interest received	13,931	10,748	24,679
Change in Cash and Cash Equivalents	(300,935)	40,516	(260,419)
Cash and Cash Equivalents - January 1	1,060,587	395,458	1,456,045
Cash and Cash Equivalents - December 31	\$ 759,652	\$ 435,974	\$ 1,195,626
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
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)
Net Cash Provided (Used) by Operating Activities	\$ (24,867)	\$ 34,119	\$ 9,252
Noncash Investing, Capital and Financing Activities			
None	\$ -	\$ -	\$ -

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

	Motor Vehicle	Data Processing	Health Self Insurance
ASSETS			
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
TOTAL ASSETS	6,013,529	1,736,406	7,226,039
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	70,648	62,668	13,902
LIABILITIES			
Accounts payable	74,516	198,555	14,517
Accrued and other current liabilities	15,570	16,780	1,376,407
TOTAL LIABILITIES	90,086	215,335	1,390,924
NET POSITION			
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
TOTAL NET POSITION	\$ 5,994,091	\$ 1,583,739	\$ 5,849,017

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>
(21,345)	37,457	(1,189,405)
-	-	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
Cash Flows from Operating Activities			
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)
Net Cash Provided (Used) by Operating Activities	<u>458,542</u>	<u>98,775</u>	<u>(1,015,604)</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfer in (out)	<u>875,000</u>	<u>436,111</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(677,304)	(29,003)	-
Proceeds from sale of capital assets	121,989	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(555,315)</u>	<u>(29,003)</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received	<u>24,894</u>	<u>16,000</u>	<u>110,177</u>
Change in Cash and Cash Equivalents	<u>803,121</u>	<u>521,883</u>	<u>(905,427)</u>
Cash and Cash Equivalents - January 1	<u>1,244,310</u>	<u>1,039,130</u>	<u>8,109,914</u>
Cash and Cash Equivalents - December 31	<u>\$ 2,047,431</u>	<u>\$ 1,561,013</u>	<u>\$ 7,204,487</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
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)
Net Cash Provided (Used) by Operating Activities	<u>\$ 458,542</u>	<u>\$ 98,775</u>	<u>\$ (1,015,604)</u>
Noncash Investing, Capital and Financing Activities			
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.

Schreck 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	_____	X	No
Department of Justice	_____	Yes	_____	X	No
Department of Public Instruction	_____	Yes	_____	X	No
Department of Natural Resources	_____	Yes	_____	X	No
Department of Administration	_____	Yes	_____	X	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.