

**CITY OF STURGEON BAY**  
**FINANCE/PURCHASING & BUILDING COMMITTEE**  
***TUESDAY, JUNE 25, 2019***  
**Council Chambers, City Hall - 421 Michigan Street**  
**4:00pm**

1. Roll call.
2. Adoption of agenda.
3. Public comment on agenda items and other issues related to finance & purchasing.
4. Consideration of: 2018 Audit
5. Consideration of: Offer to Purchase Lot 8, Block 11 of Sunset Hills #2 Subdivision.
6. Consideration of: Joint City-County Revolving Loan Fund
7. Convene in closed session in accordance with the following exemptions:

Deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. Wis. Stats. 19.85(1)(e)

- a. Consideration of: Acquisition of Property for Right of Way for Grant Ave Extension.

Move to reconvene in open session to take formal action upon preceding subject of closed session, if appropriate; or to conduct discussion or give further consideration where the subject is not appropriate for closed session consideration. The Committee may adjourn in closed session.

8. Review bills.
9. Adjourn.

NOTE: DEVIATION FROM THE AGENDA ORDER SHOWN MAY OCCUR.

Notice is hereby given that a majority of the City Committees may be present at this meeting to gather information about a subject over which they have decision-making responsibility. If a quorum of a Committee, does attend, this may constitute a meeting of the aforementioned Committee and is noticed as such, although no formal action will be taken at this meeting.

Posted:  
Date: 06/20/19  
Time: 12:30p.m  
By: TM

Finance/Purchasing & Building Committee Members:  
Helen Bacon, Chair  
Seth Wiederanders, Vice Chair  
Dan Williams

## EXECUTIVE SUMMARY

TITLE: 2018 Audit

BACKGROUND: WIPFLi CPAs and Consultants has completed the 2018 financial audit for the City of Sturgeon Bay. A clean audit opinion was issued by WIPFLi. The details of their financial audit can be found in the attached audit report and management letter.

FISCAL IMPACT: The fiscal impact to the City is the contracted amount of \$17,500.00.

OPTIONS: Accept or reject the WIPFLi CPAs and Consultants 2018 audit report.

RECOMMENDATION:

Recommend to the Common Council to accept the WIPFLi CPAs and Consultants 2018 financial audit report for the City of Sturgeon Bay and place it on file.

PREPARED BY:

Valerie J. Clarizio  
Valerie J. Clarizio  
Finance Director/City Treasurer

6/14/19  
Date

REVIEWED BY:

Joshua J. Van Lieshout  
Joshua J. Van Lieshout  
City Administrator

6/19/19  
Date



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Madison, WI 53708-8700  
608.274.1980  
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June 10, 2019

City Council  
City of Sturgeon Bay  
Sturgeon Bay, WI

Dear City Council:

We have audited the financial statements of City of Sturgeon Bay (the "City") for the year ended December 31, 2018, and have issued our report thereon dated June 10, 2019. Professional standards require that we provide you with the following information related to our audit:

#### **Our Responsibility Under Auditing Standards Generally Accepted in the United States**

As stated in our engagement letter dated July 26, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### **Required Supplementary Information Accompanying Audited Financial Statements**

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedule, the schedule of changes in the City's total OPEB liability and related ratios and the schedule of proportionate share of the net pension liability (asset) and contributions – Wisconsin Retirement System, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Supplementary Information Accompanying Audited Financial Statements**

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to your representative, Valerie Clarizio, in our meeting about planning matters on February 27, 2019, in addition to our engagement letter dated July 26, 2018, accepted by Josh VanLieshout.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. During 2018, GASB 75 related to other post-employment benefits liability and disclosure was applicable to the City's financial statements. Management implemented provisions of this standard.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the significant useful lives in calculating accumulated depreciation, the allowance for doubtful accounts receivable, the OPEB liability and the net pension asset.

The disclosures in the financial statements are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the adjustments are available from management.

We did discuss some items that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole (see audit representation letter schedules attached):

- The General Fund held a check in the amount of \$49,995 which was expended against the 2018 budget although the item was not received until 2019.

### **Disagreements With Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 10, 2019, a copy of which accompanies this letter.

### **Management Consultations With Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States which would affect the City's financial statements or on the type of opinion which may be rendered on the financial statements.

### **Other Audit Findings or Issues**

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

## **Internal Control Matters**

In planning and performing our audit of the financial statements of the City as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 misstatements 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. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the following deficiencies in internal control to be significant deficiencies:

### Financial Accounting and Reporting

Criteria – The inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) is considered an internal control deficiency.

Condition – The City's internal control over financial reporting does not end at the general ledger, but extends to the GASB financial statements and notes. The City does not have an internal control system designed to provide for the preparation of the GASB financial statements being audited. As auditors, we were requested to draft the GASB financial statements and accompanying notes to the GASB financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the City relies on Wipfli to provide the necessary understanding of current accounting and disclosure principles and draft the GASB financial statements and accompanying notes, a significant deficiency exists in the City's internal controls. However, the Finance Director/City Treasurer does review the financial statements compared to their general ledger records and takes responsibility for all of the information presented so that the finding is not considered a material weakness.

Effect – The completeness of the GASB financial statement disclosures and the accuracy of the GASB financial statement presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the City as its own management.

Cause – Management and those charged with governance have accepted the degree of risk associated with this condition because of cost.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

## **Other Matters**

### *Pending Accounting Pronouncements*

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

We appreciate the opportunity to be of service to City of Sturgeon Bay.

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

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
Enc.

GOVERNMENTAL AUDIT REPRESENTATION LETTER

June 10, 2019

Wipfli LLP  
2501 West Beltline Highway, Suite 401  
Madison, WI 53713

This representation letter is provided in connection with your audit of the financial statements of the City of Sturgeon Bay, Wisconsin which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 26, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in accordance with GAAP and include all properly classified funds and other financial information of the primary government and all component units required by GAAP to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or

payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements.
9. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is listed below.
  - a. The General Fund held a check in the amount of \$49,995 which was expended against the 2018 budget although the item was not received until 2019.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.
11. Material concentrations, if any, have been properly disclosed in accordance with GAAP.
12. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed in accordance with GAAP.

#### Information Provided

13. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the City from who you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of City Board or summaries of actions of recent meetings for which minutes have not yet prepared.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of any fraud or suspected fraud affecting the City involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
18. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
19. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP.
20. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.
21. We have made available to you all financial records and related data.
22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
24. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
25. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
26. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determinations of financial statement amounts or other financial data significant to the audit objectives.
29. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting noncompliance.

31. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged as collateral.
32. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
35. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial users.
36. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
37. Investments are properly valued.
38. Provisions for uncollectible receivables have been properly identified and recorded.
39. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
40. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
41. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
42. Deposits and investment securities are properly classified as to risk, and investments are properly valued and disclosed.
43. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
44. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
45. The City has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
46. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the City

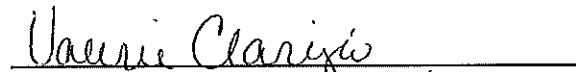
vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

47. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
48. We acknowledge our responsibility for presenting the Combining Financial Statements – Nonmajor Governmental Funds in accordance with GAAP, and we believe the Combining Financial Statements – Nonmajor Governmental Funds, including its form and content, are fairly presented in accordance with GAAP. The methods of measurement and presentation of the Combining Financial Statements – Nonmajor Governmental Funds have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the Combining Financial Statements – Nonmajor Governmental Funds are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Sincerely,

City of Sturgeon Bay, Wisconsin

  
\_\_\_\_\_  
Josh VanLieshout, City Administrator

  
\_\_\_\_\_  
Valerie Clarizio, Finance Director/Treasurer

# **City of Sturgeon Bay, Wisconsin**

Sturgeon Bay, Wisconsin

## **Financial Statements and Supplementary Information**

Year Ended December 31, 2018

**City of Sturgeon Bay, Wisconsin**  
**Financial Statements and Supplementary Information**  
Year Ended December 31, 2018

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## **Independent Auditor's Report**

City Council  
City of Sturgeon Bay  
Sturgeon Bay, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sturgeon Bay, Wisconsin (the "City"), as of and for the year ended December 31, 2018, 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; 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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, each major fund, and the aggregate remaining fund information of the City of Sturgeon Bay, Wisconsin, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Prior Period Restatement**

As discussed in Note 17, the amounts owed for tax equivalent transfers were understated on the prior year financial statements.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States require that the management's discussion and analysis, the statement of revenues, expenditures, and change in fund balance - budget and actual - general fund, the schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System, the schedules of the employer's proportionate share of the net OPEB liability (asset) and employer contributions - LRLIF, and the schedule of changes in the City's total OPEB liability and related ratios, on pages 64 - 71 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.



### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining financial statements - nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Prior-Year Comparative Information**

Other auditors previously audited the City's December 31, 2017 financial statements, and their report dated May 24, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The 2017 summarized comparative information was derived from the 2017 financial statements audited by the prior auditor.

*Wipfli LLP*

Wipfli LLP

June 10, 2019  
Madison, Wisconsin

## **Required Supplementary Information**

## CITY of STURGEON BAY



Joshua J. Van Lieshout, City Administrator  
421 Michigan Street  
Sturgeon Bay, WI 54235

920-746-2900 Phone  
920-746-2905 Fax  
[www.sturgeonbaywi.org](http://www.sturgeonbaywi.org)

## STURGEON BAY UTILITIES



James M. Stawicki, General Manager  
230 East Vine St  
Sturgeon Bay, WI 54235

920-746-2820 Phone  
920-746-2822 Fax  
[www.sbunet.com](http://www.sbunet.com)

### Management's Discussion and Analysis December 31, 2018

As management of the City of Sturgeon Bay, we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

#### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2018 by \$97,072,525 (*net position*). Of this amount, \$18,573,921 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,738,388. Several factors contributed to the overall increase as follows:
  - The City's Governmental activities' total net position decreased by \$234,008.
  - The City's Business-type activities' (*Solid Waste Fund*) total net position increased by \$34,160.
  - The City's total net position of Sturgeon Bay Utilities increased by \$1,938,236.
- The City's general fund increased by \$866,626. This increase is shown without applying the 2018 operating surplus in the amount of \$398,616. Overall, the 2018 general fund revenues were in excess of the 2018 budgeted revenues, and 2018 general fund expenditures were less than the 2018 budgeted expenditures. Savings were realized primarily due to increases in transportation aids, investment income, permit, and fee income, along with allocation of staff time to other funds, a decrease in workers compensation insurance premiums, and conservative spending in several other expense line items.
- The assessed property tax rate, without TID, increased from \$7.63 to \$7.86 per \$1,000 of property value for the year ended December 31, 2018.
- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$13,577,464, a decrease of \$79,657 in comparison with the prior year. Approximately 45% of this total amount, \$6,163,199 is available for spending at the City's discretion (*unassigned fund balance*).
- As of December 31, 2018, unassigned fund balance for the general fund was \$6,163,199, or approximately 56% of the total general fund expenditures budgeted for 2019.
- The City's total general-obligation debt decreased by \$631,515 (3%) during 2018.

#### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, health and human services, culture and recreation, development and debt service. The business-type activities of the City include the Solid Waste Fund and Sturgeon Bay Utility activities including water, wastewater and electric operations.

The government-wide financial statements include only the City itself (known as the *primary government*).

The government-wide financial statements can be found on pages 15 - 17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Improvements Fund both of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18 - 21 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Solid Waste Fund and Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City does not use internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the Utility, which is considered to be a major fund of the City, and the Solid Waste Fund which is considered to be a nonmajor fund of the City.

The basic proprietary fund financial statements can be found on pages 22 - 26 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27 - 62 of this report.

**Other information.** Required supplementary information relating to other post-employment and pension benefits and budgetary comparison information for the general fund in addition to other supplementary financial information related to the combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements on pages 64 - 74.

### Government-wide Financial Analysis

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$97,072,525 at the close of 2018.

City of Sturgeon Bay's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 37,748,534	\$ 35,588,402	\$ 13,380,901	\$ 12,869,397	\$ 51,129,435	\$ 48,457,799
Capital assets	51,758,584	52,565,274	47,745,440	46,359,855	99,504,024	98,925,129
Total assets	\$ 89,507,118	\$ 88,153,676	\$ 61,126,341	\$ 59,229,252	\$150,633,459	\$ 147,382,928
Deferred outflows of resources	\$ 2,486,287	\$ 2,888,822	\$ 554,750	\$ 628,029	\$ 3,041,037	\$ 3,516,851
Long-term liabilities outstanding	29,039,829	28,204,311	435,857	494,805	29,475,686	28,699,116
Other liabilities	13,525,763	13,407,980	1,577,817	1,768,275	15,103,580	15,176,255
Total liabilities	\$ 42,565,592	\$ 41,612,291	\$ 2,013,674	\$ 2,263,080	\$ 44,579,266	\$ 43,875,371
Deferred inflows of resources	\$ 11,420,499	\$ 9,916,551	\$ 602,206	\$ 255,764	\$ 12,022,705	\$ 10,172,315
Net position:						
Net Investment in Capital Assets of related debt	\$ 25,220,528	\$ 27,157,171	\$ 47,706,527	\$ 46,232,035	\$ 72,927,055	\$ 73,389,206
Restricted	5,046,423	4,870,781	525,126	522,358	5,571,549	5,393,139
Unrestricted	7,740,363	7,485,704	10,833,558	10,584,044	18,573,921	18,069,748
Total net position	\$ 38,007,314	\$ 39,513,656	\$ 59,065,211	\$ 57,338,437	\$ 97,072,525	\$ 96,852,093

By far the largest portion of the City's net position (75%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$18,573,921) may be used to meet the City's ongoing obligations to citizens and creditors.

**Change in net position.** Governmental activities decreased the City's net position by \$234,008. Key elements of this decrease are as follows:

City of Sturgeon Bay's Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 974,928	\$ 1,006,022	\$ 20,265,855	\$ 20,818,451	\$ 21,240,783	\$ 21,824,473
Operating grants and contributions	681,766	709,745	-	31,814	681,766	741,559
Capital grants and contributions	263,903	770,452	347,278	506,312	611,181	1,276,764
General revenues:						
Property taxes	8,933,497	8,476,270	-	-	8,933,497	8,476,270
Other taxes	290,365	293,988	-	-	290,365	293,988
Grants and contributions not restricted to specific programs	1,077,560	1,000,765	-	-	1,077,560	1,000,765
Other revenues and transfers	1,451,579	1,248,492	(498,086)	(427,758)	953,493	820,734
Total revenues	\$ 13,673,598	\$ 13,505,734	\$ 20,115,047	\$ 20,928,819	\$ 33,788,645	\$ 34,434,553
Expenses:						
General government	\$ 1,824,937	\$ 1,584,820	\$ -	\$ -	\$ 1,824,937	\$ 1,584,820
Public safety	4,588,895	4,837,106	-	-	4,588,895	4,837,106
Public works	4,677,636	3,311,126	-	-	4,677,636	3,311,126
Culture and recreation	916,308	1,635,507	-	-	916,308	1,635,507
Conservation and development	1,146,034	651,558	-	-	1,146,034	651,558
Interest on long-term debt	753,796	702,757	-	-	753,796	702,757
Water	-	-	1,848,814	1,672,789	1,848,814	1,672,789
Wastewater	-	-	1,767,949	1,750,230	1,767,949	1,750,230
Electric	-	-	14,060,558	14,845,621	14,060,558	14,845,621
Solid waste	-	-	465,330	476,316	465,330	476,316
Total expenses	\$ 13,907,606	\$ 12,722,874	\$ 18,142,651	\$ 18,744,956	\$ 32,050,257	\$ 31,467,830
Increase (Decrease) in net position	(234,008)	782,860	1,972,396	2,183,863	1,738,388	2,966,723
Net position - January 1	39,513,656	38,730,796	57,338,437	55,154,574	96,852,093	93,885,370
Prior period adjustment for other post-employment benefits	(1,517,956)	-	-	-	(1,517,956)	-
Prior period adjustment for SBU PILOT	245,622	-	(245,622)	-	-	-
Net position - January 1, restated	38,241,322	38,730,796	57,092,815	55,154,574	95,334,137	93,885,370
Net position - December 31	\$ 38,007,314	\$ 39,513,656	\$ 59,065,211	\$ 57,338,437	\$ 97,072,525	\$ 96,852,093

The property tax levy increased by \$266,919 (4.1%), without TID, for the 2018 collection year. This increase was directed toward the following areas:

**Property Taxes**

\$ 353,032 for the General Fund Operations and Debt  
 \$ (86,113) for Capital Improvements

Investment earnings increased/(decreased) in the following funds:

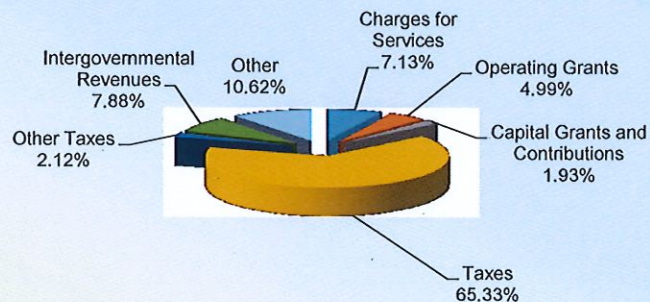
**Investment Earnings**

\$ 99,615 General  
 \$ 4,190 Capital Fund  
 \$ 24,002 Tax Increment District #2  
 \$ 10,671 Tax Increment District #1  
 \$ 9,210 Tax Increment District #3  
 \$ 14,941 Tax Increment District #4  
 \$ 2,442 Revolving Loan Fund

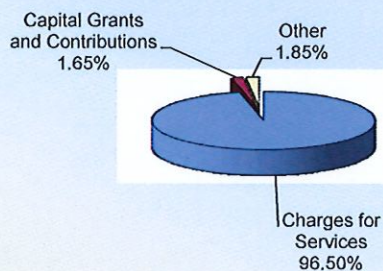
**Funding Sources for the governmental activities and business-type activities for the City of Sturgeon Bay and Sturgeon Bay Utilities**

*The Chart on the right illustrates how governmental activities are funded. Property taxes and other taxes account for 67.45% of the total revenue needed to fund governmental activities. Intergovernmental revenues and grants comprise another 14.80%, while charges for services and all other sources are equal to 17.75% of revenues.*

**2018 Governmental Activities**



**2018 Business-Type Activities**



*Business-Type activities depend on charges for services as their primary revenue sources, as shown on the graph to the left. Charges for services account for 96.50% of the revenues needed to support the City's business activities.*

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$13,577,464, a decrease of \$79,657 in comparison with the prior year. Approximately 45% of this amount (\$6,163,199) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is nonspendable *restricted or assigned* to indicate that it is not available for new spending because it has already been restricted or assigned for the following:

\$ 3,338	Prepaid Items
4,900,299	Restricted for other Governmental Funds
2,510,628	Assigned for Governmental Funds
<u>\$ 7,414,265</u>	Total

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$6,163,199. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents 56% of total 2019 budgeted General Fund expenditures, and the total general fund balance also represents 56% of that same amount.

The fund balance of the City's general fund increased by \$866,626 during the current year. This increase is shown without applying the 2018 operating surplus in the amount of \$398,616. Overall, the 2018 general fund revenues were in excess of the 2018 budgeted revenues, and 2018 general fund expenditures were less than the 2018 budgeted expenditures. Savings were realized in the following areas:

- Increased transportation aids
- Increased investment income
- Increased building and associated permit revenue
- Reallocation of staff time to special funds
- Decreased workers compensation insurance premiums

The Capital Improvements Fund has a total fund balance of \$2,376,460. The entire amount is assigned. Assigned fund balance represents 35% of total 2018 budgeted Capital Fund expenditures. The TID District fund balances are restricted to carry out the project plan of the Districts.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year amounted to \$10,760,723. The total increase in net position was \$1,938,236.

Unrestricted net position of the Solid Waste fund at the end of the year amounted to \$72,835. The total increase in net position was \$34,160.

Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **Budgetary Highlights**

Generally, the original budget is rarely modified. In most instances, when the budget is modified, the line item adjustments are made within the department. Following is a list of budget adjustments that were made in 2018 where the adjustments were made between different departments:

- There were no budget adjustments made between departments in 2018

During the year, actual general fund revenues were more than budgeted revenues and appropriated balances by \$334,094 prior to applying budgeted appropriated balances and reserves. The 2018 budget contained \$1,761,042 in appropriated balances and reserves.

Actual expenditures were less than budgeted expenditures by \$2,053,927 in the general fund primarily due to lack of appropriations from the ERP contingency, allocation of staff time to other funds, and conservative spending in several other expense line items.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$99,504,024 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, public domain infrastructure (highways and bridges), and construction in progress. The total increase in the City's investment in capital assets for the current year was \$578,895 or roughly .6% compared to last year.

Major capital assets acquired or constructed during the year include:

- Phone Switch and Equipment
- Fiber Infrastructure
- Security System Upgrades – City Hall & Municipal Services
- Squad Car
- Leaf Vacuum
- Rubber Tire Loader W/Plow and Wing
- Back Hoe
- Water Weed Harvester and Trailer
- Library Roof
- Annual Storm Sewer Outlay
- Annual Road Resurfacing and Repair
- Annual Alley/Parking Lot Repair
- Annual Curbing & Sidewalk Repair
- Duluth Avenue Reconstruction
- Replaced all remaining lead laterals
- 1,400' of water main
- Ultraviolet disinfection system at Well #8
- Well and booster pumps at Well #8
- Well and booster pumps at Well #10
- 1,400' of sewer main
- Tacoma Beach Road lift station
- Treatment plant aeration system piping
- Circuit breaker at Industrial substation
- 160 utility pole replacements
- 13,000 of underground conductor
- Digger derrick truck

City of Sturgeon Bay's Capital Assets (Governmental Activities are net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 5,284,856	\$ 5,600,427	\$ 276,084	\$ 276,085	\$ 5,560,940	\$ 5,876,512
Land improvements	1,113,809	968,908	-	-	1,113,809	968,908
Buildings	5,558,131	5,779,946	7,434,140	6,559,535	12,992,271	12,339,481
Machinery and equipment and vehicles	2,972,159	1,669,955	12,420,946	19,036,400	15,393,105	20,706,355
Infrastructure	36,829,629	37,185,315	64,260,148	55,724,840	101,089,777	92,910,155
Less: Utility and solid waste fund depreciation	-	-	(36,928,056)	(36,032,475)	(36,928,056)	(36,032,475)
Construction in progress	-	1,360,723	282,178	795,470	282,178	2,156,193
Total	\$ 51,758,584	\$ 52,565,274	\$ 47,745,440	\$ 46,359,855	\$ 99,504,024	\$ 98,925,129

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$26,324,200 of this amount, \$23,009,200 comprises debt backed by the full faith and credit of the government. An additional \$3,315,000 consists of taxable note anticipation notes.

City of Sturgeon Bay's Outstanding Debt General Obligation Debt and Revenue Bonds						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation debt:						
Bonds	\$ 21,710,000	\$ 21,830,000	\$ -	\$ -	\$ 21,710,000	\$ 21,830,000
Notes	1,260,287	1,682,895	38,913	127,820	1,299,200	1,810,715
Total general obligation debt	\$ 22,970,287	\$ 23,512,895	\$ 38,913	\$ 127,820	\$ 23,009,200	\$ 23,640,715
Lease revenue bonds	-	-	-	-	-	-
Note anticipation note	3,315,000	3,615,000	-	-	3,315,000	3,615,000
Total	\$ 26,285,287	\$ 27,127,895	\$ 38,913	\$ 127,820	\$ 26,324,200	\$ 27,255,715

The City's total debt decreased by \$931,515 during the current fiscal year. The key factor in this decrease was primarily due to the retirement of a portion of TID #2 bonds and general fund debt.

The only outstanding debt of the Sturgeon Bay Utilities as of December 31, 2018 is the athletic field lighting loan that is shared with the City. The year-end balance is approximately \$39,000 for each party.

The City maintains an Aa3 rating from Moody's Investors Service for its general obligation debt.

State statutes limit the amount of general obligation debt the City may issue to 5% of its total equalized valuation. The current debt limitation for the City is \$43,213,525, which is significantly in excess of the City's \$23,009,200, in outstanding general obligation debt.

#### **Economic Factors and Next Year's Budgets and Rates**

- The economic condition and outlook of the City has remained fairly stable based on a relatively healthy mix of residential, manufacturing, tourism, service industry and retail activities which support our tax base.
- Inflationary trends in our region compare favorably to national indices.
- During the current year, unassigned fund balance in the general fund increased to \$5,282,120. The City has assigned fund balance in the amount of \$0 for spending in the 2018 fiscal year budget.

#### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director/City Treasurer, City of Sturgeon Bay, 421 Michigan St, Sturgeon Bay, WI 54235.

## **Basic Financial Statements**

# City of Sturgeon Bay, Wisconsin

## Statement of Net Position

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
<b>Assets:</b>				
Cash	\$ 7,849,069	\$ 1,678,255	\$ 9,527,324	\$ 5,839,295
Investments	9,961,334	6,420,163	16,381,497	20,904,896
Receivables				
Taxes	17,245,563	-	17,245,563	15,724,954
Delinquent taxes	390,312	-	390,312	5,771
Accounts	82,361	1,983,481	2,065,842	1,810,917
Special Assessments				403,120
Loans	146,124	-	146,124	205,605
Other	-	301,228	301,228	122,676
Internal balances	884,417	(884,417)	-	-
Inventories and prepaid items	3,338	659,420	662,758	677,259
Investment in American Transmission Company	-	2,350,846	2,350,846	2,198,948
Net pension asset	1,186,016	304,799	1,490,815	-
Land held for resale	-	42,000	42,000	42,000
Restricted assets:				
Investments	-	525,126	525,126	522,358
Capital assets, nondepreciable	5,284,856	558,262	5,843,118	8,032,708
Capital assets, depreciable, net	46,473,728	47,187,178	93,660,906	90,892,421
Total assets	89,507,118	61,126,341	150,633,459	147,382,928
<b>Deferred outflows of resources:</b>				
Loss on advance refunding	283,483	-	283,483	375,798
Deferred outflows related to pensions/OPEB	2,202,804	554,750	2,757,554	3,141,053
Total deferred outflows of resources	2,486,287	554,750	3,041,037	3,516,851
<b>Liabilities:</b>				
Accounts payable	724,882	1,412,679	2,137,561	2,104,925
Other accrued liabilities	270,518	3,659	274,177	287,334
Due to other governments	12,372,517	-	12,372,517	11,817,161
Accrued interest payable	149,846	-	149,846	132,816
Special deposits	8,000	161,479	169,479	160,655
Long-term obligations				
Due within one year	2,205,614	8,192	2,213,806	2,472,008
Due in more than one year	26,834,215	427,665	27,261,880	26,900,472
Total liabilities	42,565,592	2,013,674	44,579,266	43,875,371
<b>Deferred inflows of resources:</b>				
Property taxes	9,072,701	-	9,072,701	8,885,051
Deferred inflows related to pensions/OPEB	2,347,798	602,206	2,950,004	1,287,264
Total deferred inflows of resources	11,420,499	602,206	12,022,705	10,172,315
<b>Net position:</b>				
Net investment in capital assets	25,220,528	47,706,527	72,927,055	73,389,206
Restricted	5,046,423	525,126	5,571,549	5,393,139
Unrestricted	7,740,363	10,833,558	18,573,921	18,069,748
Total net position	\$ 38,007,314	\$ 59,065,211	\$ 97,072,525	\$ 96,852,093

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Activities

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,824,937	\$ 223,179	\$ -	\$ -
Public safety	4,588,895	514,430	40,503	1,038
Public works	4,677,636	22,513	539,437	187,615
Culture, recreation and education	916,308	214,806	101,826	75,250
Conservation and development	1,146,034	-	-	-
Interest and fiscal charges	753,796	-	-	-
Total governmental activities	13,907,606	974,928	681,766	263,903
Business-type activities:				
Sewer utility	1,848,814	2,232,863	-	-
Water utility	1,767,949	2,319,836	-	56,393
Electric utility	14,060,558	15,261,685	-	290,885
Solid waste utility	465,330	451,471	-	-
Total business-type activities	18,142,651	20,265,855	-	347,278
Total	\$ 32,050,257	\$ 21,240,783	\$ 681,766	\$ 611,181

### General revenues:

#### Taxes:

Property taxes, levied for general purposes

Tax increments

Other taxes

Federal and state grants and other contributions not restricted to specific functions

Investment income

Miscellaneous

#### Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

# City of Sturgeon Bay, Wisconsin

## Statement of Activities - Continued

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Position	
		Totals 2018	2017
\$ (1,601,758)	\$ -	\$ (1,601,758)	\$ (1,355,549)
(4,032,924)	-	(4,032,924)	(4,270,862)
(3,928,071)	-	(3,928,071)	(2,386,338)
(524,426)	-	(524,426)	(887,718)
(1,146,034)	-	(1,146,034)	(633,431)
(753,796)	-	(753,796)	(702,757)
(11,987,009)	-	(11,987,009)	(10,236,655)
-	384,049	384,049	399,427
-	608,280	608,280	750,337
-	1,492,012	1,492,012	1,435,224
-	(13,859)	(13,859)	26,633
-	2,470,482	2,470,482	2,611,621
(11,987,009)	2,470,482	(9,516,527)	(7,625,034)
6,326,750	-	6,326,750	5,974,087
2,606,747	-	2,606,747	2,502,183
290,365	-	290,365	293,988
1,077,560	-	1,077,560	1,000,765
339,137	292,590	631,727	322,397
225,625	96,141	321,766	498,337
886,817	(886,817)	-	-
11,753,001	(498,086)	11,254,915	10,591,757
(234,008)	1,972,396	1,738,388	2,966,723
38,241,322	57,092,815	95,334,137	93,885,370
\$ 38,007,314	\$ 59,065,211	\$ 97,072,525	\$ 96,852,093

# City of Sturgeon Bay, Wisconsin

## Balance Sheet

### Governmental Funds

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	General	Capital Improvements	Nonmajor Governmental Funds	Totals	
				2018	2017
<b>Assets:</b>					
Cash	\$ 6,283,686	\$ 776,598	\$ 788,785	\$ 7,849,069	\$ 4,708,723
Investments	2,904,689	1,607,932	5,448,713	9,961,334	13,791,153
Receivables					
Taxes	14,553,535	457,395	2,234,633	17,245,563	15,723,735
Delinquent taxes	390,312	-	-	390,312	5,771
Accounts	81,579	782	-	82,361	104,047
Special assessments	-	-	-	-	403,120
Loans	-	-	146,124	146,124	205,605
Due from other funds	2,299,952	-	217,543	2,517,495	1,409,161
Inventories and prepaid items	3,338	-	-	3,338	6,415
<b>Total assets</b>	<b>\$ 26,517,091</b>	<b>\$ 2,842,707</b>	<b>\$ 8,835,798</b>	<b>\$ 38,195,596</b>	<b>\$ 36,357,730</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 718,991	\$ 852	\$ 5,039	\$ 724,882	\$ 563,285
Other accrued liabilities	270,518	-	-	270,518	283,681
Due to other funds	217,543	-	1,415,535	1,633,078	769,328
Due to other governments	12,372,517	-	-	12,372,517	11,817,161
Special deposits	-	8,000	-	8,000	19,000
<b>Total liabilities</b>	<b>13,579,569</b>	<b>8,852</b>	<b>1,420,574</b>	<b>15,008,995</b>	<b>13,452,455</b>
<b>Deferred inflows of resources:</b>					
Property taxes	6,380,673	457,395	2,234,633	9,072,701	8,885,051
Loans receivable	-	-	146,124	146,124	205,605
Special assessments	390,312	-	-	390,312	403,120
<b>Total deferred inflows of resources</b>	<b>6,770,985</b>	<b>457,395</b>	<b>2,380,757</b>	<b>9,609,137</b>	<b>9,493,776</b>
<b>Fund balances:</b>					
Nonspendable	3,338	-	-	3,338	6,415
Restricted	-	-	4,900,299	4,900,299	4,665,176
Assigned	-	2,376,460	134,168	2,510,628	4,090,649
Unassigned	6,163,199	-	-	6,163,199	4,649,259
<b>Total fund balances</b>	<b>6,166,537</b>	<b>2,376,460</b>	<b>5,034,467</b>	<b>13,577,464</b>	<b>13,411,499</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 26,517,091</b>	<b>\$ 2,842,707</b>	<b>\$ 8,835,798</b>	<b>\$ 38,195,596</b>	<b>\$ 36,357,730</b>

# City of Sturgeon Bay, Wisconsin

## Reconciliation of the Balance Sheet - Governmental Funds - to the Statement of Net Position

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	2018	2017
Total fund balance - governmental funds	\$13,577,464	\$13,411,499
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements	51,758,584	52,565,274
The net pension asset is not an available resource and therefore is not reported in the fund statements	1,186,016	-
Other long-term assets are not available to pay current expenditures and therefore are deferred in the funds	536,436	608,725
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the fund statements:		
Loss on advance refunding	283,483	375,798
Deferred outflows of resources	2,202,804	2,513,024
Deferred inflows of resources	(2,347,798)	(1,031,500)
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Bonds and notes payable	(26,285,287)	(27,127,895)
Debt premium	(252,769)	(270,063)
Compensated absences	(785,735)	(806,353)
Net pension liability	-	(325,965)
Post-employment health benefits payable	(1,716,038)	(266,576)
Accrued interest on long-term obligations	(149,846)	(132,312)
Total net position of governmental activities	\$38,007,314	\$39,513,656

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	General	Capital Improvements	Nonmajor Governmental Funds	Totals	
				2018	2017
<b>Revenues:</b>					
Taxes	\$ 6,603,124	\$ 452,967	\$ 2,153,780	\$ 9,209,871	\$ 8,770,228
Special assessments	1,038	66,987	-	68,025	33,197
Intergovernmental	1,545,411	278,157	32,404	1,855,972	1,703,988
Licenses and permits	187,900	-	147,978	335,878	308,026
Fines and forfeits	33,089	2,190	-	35,279	39,478
Public charges for services	264,371	29,750	-	294,121	579,590
Intergovernmental charges	466,893	-	-	466,893	462,140
Miscellaneous	342,133	78,474	172,424	593,031	864,031
<b>Total revenues</b>	<b>9,443,959</b>	<b>908,525</b>	<b>2,506,586</b>	<b>12,859,070</b>	<b>12,760,678</b>
<b>Expenditures:</b>					
Current:					
General government	1,358,239	-	-	1,358,239	1,432,529
Public safety	4,335,866	-	-	4,335,866	4,102,461
Public works	1,353,683	-	-	1,353,683	1,360,806
Culture and recreation	738,516	-	-	738,516	780,186
Conservation and development	637,948	-	502,520	1,140,468	731,789
Debt service:					
Principal	1,141,187	-	1,187,771	2,328,958	5,794,887
Interest and fiscal charges	187,394	-	510,077	697,471	676,865
Capital outlay	-	3,517,702	25,081	3,542,783	2,569,270
<b>Total expenditures</b>	<b>9,752,833</b>	<b>3,517,702</b>	<b>2,225,449</b>	<b>15,495,984</b>	<b>17,448,793</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(308,874)</b>	<b>(2,609,177)</b>	<b>281,137</b>	<b>(2,636,914)</b>	<b>(4,688,115)</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	1,480,000	-	1,480,000	6,367,000
Premium on debt issued	-	42,580	-	42,580	-
Sales of capital assets	-	132,770	15,090	147,860	127,461
Transfers in	1,203,179	177,115	-	1,380,294	3,024,508
Transfers out	(27,679)	(301,335)	(164,463)	(493,477)	(2,148,003)
<b>Total other financing sources (uses)</b>	<b>1,175,500</b>	<b>1,531,130</b>	<b>(149,373)</b>	<b>2,557,257</b>	<b>7,370,966</b>
<b>Net Change in Fund Balances</b>	<b>866,626</b>	<b>(1,078,047)</b>	<b>131,764</b>	<b>(79,657)</b>	<b>2,682,851</b>
<b>Fund Balances - Beginning, as restated</b>	<b>5,299,911</b>	<b>3,454,507</b>	<b>4,902,703</b>	<b>13,657,121</b>	<b>10,088,815</b>
<b>Fund Balances - Ending</b>	<b>\$ 6,166,537</b>	<b>\$ 2,376,460</b>	<b>\$ 5,034,467</b>	<b>\$ 13,577,464</b>	<b>\$ 12,771,666</b>

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	2018	2017
Net change in fund balance - governmental funds	\$ (79,657)	\$ 2,682,881
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 expenditures reported in governmental fund statements	1,781,690	1,819,629
Depreciation expense reported in the statement of activities	(2,211,398)	(1,913,940)
Net book value of disposals	(376,982)	(258,895)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(72,289)	(177,196)
Certain expenses 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:		
Amortization of premiums, discounts and loss on advance refunding	(17,294)	(33,566)
Compensated absences	20,618	(61,485)
Pension amounts	(16,892)	(448,368)
Other postemployment benefits	(79,424)	(262,620)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(1,522,580)	(6,367,000)
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:	2,322,666	5,794,887
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.	17,534	8,533
Change in net position - governmental activities	\$ (234,008)	\$ 782,860

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Net Position

### Proprietary Funds

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Nonmajor Fund Solid Waste	Totals	
					2018	2017
<b>Assets:</b>						
Current assets:						
Cash	\$ -	\$ -	\$ 1,621,352	\$ 56,903	\$ 1,678,255	\$ 1,841,656
Investments	3,021,695	943,577	2,454,891	-	6,420,163	6,402,659
Receivables						
Accounts	185,687	257,188	1,540,606	-	1,983,481	1,706,870
Other	59,338	1,144	239,580	1,166	301,228	123,895
Due from other funds	83,387	333,048	-	-	416,435	285,368
Inventory	8,439	108,902	520,873	-	638,214	649,648
Prepaid items	-	-	21,206	-	21,206	21,196
Total current assets	3,358,546	1,643,859	6,398,508	58,069	11,458,982	11,031,292
Noncurrent assets:						
Restricted assets:						
Investments	525,126	-	-	-	525,126	522,358
Investment in American Transmission Company	-	-	2,350,846	-	2,350,846	2,198,948
Net pension asset	26,149	26,267	230,560	21,823	304,799	-
Land held for resale	-	42,000	-	-	42,000	42,000
Capital assets, nondepreciable	133,532	171,108	253,622	-	558,262	1,071,558
Capital assets, depreciable	9,891,811	13,670,045	23,446,982	178,340	47,187,178	45,288,297
Total capital assets, net of accumulated depreciation	10,025,343	13,841,153	23,700,604	178,340	47,745,440	46,359,855
Total noncurrent assets	10,576,618	13,909,420	26,282,010	200,163	50,968,211	49,123,161
Total assets	13,935,164	15,553,279	32,680,518	258,232	62,427,193	60,154,453
<b>Deferred outflows of resources:</b>						
Deferred outflows related to pensions	47,592	47,807	419,631	39,720	554,750	628,029
 Total assets and deferred outflows of resources	 \$ 13,982,756	 \$ 15,601,086	 \$ 33,100,149	 \$ 297,952	 \$ 62,981,943	 \$ 60,782,482

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Net Position - Continued

### Proprietary Funds

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Nonmajor Fund Solid Waste	Totals	
					2018	2017
Liabilities:						
Current liabilities:						
Accounts payable	\$ 131,434	\$ 51,670	\$ 1,229,575	\$ -	\$ 1,412,679	\$ 1,541,648
Other accrued liabilities	-	-	-	3,659	3,659	4,149
Due to other funds	97,062	374,379	829,411	-	1,300,852	1,170,823
Customer deposits	-	-	161,479	-	161,479	141,655
Current portion of long-term debt	-	-	8,192	-	8,192	88,906
Total current liabilities	228,496	426,049	2,228,657	3,659	2,886,861	2,947,181
Noncurrent liabilities:						
General obligation debt	-	-	30,721	-	30,721	38,914
Compensated absences	52,536	51,277	293,131	-	396,944	366,985
Net pension liability	-	-	-	-	-	80,823
Total noncurrent liabilities	52,536	51,277	323,852	-	427,665	486,722
Total liabilities	281,032	477,326	2,552,509	3,659	3,314,526	3,433,903
Deferred inflows of resources:						
Related to pensions	51,663	51,896	455,529	43,118	602,206	255,764
Total liabilities and deferred inflows of resources	332,695	529,222	3,008,038	46,777	3,916,732	3,689,667
Net position:						
Net investment in capital assets	10,025,343	13,841,153	23,661,691	178,340	47,706,527	46,232,035
Restricted	525,126	-	-	-	525,126	522,358
Unrestricted	3,099,592	1,230,711	6,430,420	72,835	10,833,558	10,338,422
Total net position	13,650,061	15,071,864	30,092,111	251,175	59,065,211	57,092,815
Total liabilities, deferred inflows of resources and net position	\$ 13,982,756	\$ 15,601,086	\$ 33,100,149	\$ 297,952	\$ 62,981,943	\$ 60,782,482

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Nonmajor Fund Solid Waste	Totals	
					2018	2017
Operating revenues:						
Charges for services	\$ 2,205,090	\$ 2,209,852	\$ 14,897,540	\$ 451,471	\$ 19,763,953	\$ 20,197,630
Other operating revenues	27,773	109,984	364,145	-	501,902	652,635
Total operating revenues	2,232,863	2,319,836	15,261,685	451,471	20,265,855	20,850,265
Operating expenses:						
Operation and maintenance	1,414,007	1,194,236	12,616,720	417,940	15,642,903	16,571,677
Depreciation	434,807	573,713	1,441,462	47,390	2,497,372	2,170,670
Total operating expenses	1,848,814	1,767,949	14,058,182	465,330	18,140,275	18,742,347
Operating income	384,049	551,887	1,203,503	(13,859)	2,125,580	2,107,918
Nonoperating revenues (expenses):						
Interest income	41,237	12,748	238,605	-	292,590	208,077
Interest expense	-	-	(2,376)	-	(2,376)	(2,609)
Other	360	819	44,543	50,419	96,141	19,552
Total nonoperating revenues (expenses)	41,597	13,567	280,772	50,419	386,355	225,020
Net income before transfers	425,646	565,454	1,484,275	36,560	2,511,935	2,332,938
Capital contributions	-	56,393	290,885	-	347,278	727,430
Transfers out	-	(374,379)	(510,038)	(2,400)	(886,817)	(876,505)
Change in net position	425,646	247,468	1,265,122	34,160	1,972,396	2,183,863
Net position - beginning, as restated	13,224,415	14,824,396	28,826,989	217,015	57,092,815	54,908,952
Net position - ending	\$ 13,650,061	\$ 15,071,864	\$ 30,092,111	\$ 251,175	\$ 59,065,211	\$ 57,092,815

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Nonmajor Fund Solid Waste	Totals	
					2018	2017
Cash flows from operating activities:						
Cash received from customers	\$ 2,164,951	\$ 2,300,063	\$ 14,915,197	\$ 451,524	\$ 19,831,735	\$ 20,917,412
Cash payments to suppliers	(1,241,738)	(977,330)	(12,009,354)	(234,402)	(14,462,824)	(15,290,019)
Cash payments to employees	(211,143)	(204,630)	(637,003)	(181,280)	(1,234,056)	(1,089,299)
Net cash provided (used) by operating activities	712,070	1,118,103	2,268,840	35,842	4,134,855	4,538,094
Cash flows from noncapital financing activities:						
Other nonoperating revenue	360	819	44,543	50,419	96,141	19,552
Due to/from other funds	(254,686)	193,243	60,405	-	(1,038)	-
Transfer out	-	(374,379)	(510,038)	(2,400)	(886,817)	(876,505)
Net cash provided (used) by noncapital financing activities	(254,326)	(180,317)	(405,090)	48,019	(791,714)	(856,953)
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(471,998)	(997,617)	(2,413,342)	-	(3,882,957)	(3,853,552)
Sales of capital assets						54,493
Cost of removal of capital assets						(441,764)
Capital contributions	-	56,393	290,885	-	347,278	681,030
Principal payments on long-term debt	-	-	(8,193)	(80,714)	(88,907)	(88,900)
Interest payments on long-term debt	-	-	(2,376)	-	(2,376)	(3,113)
Net cash provided (used) by capital and related financing activities	(471,998)	(941,224)	(2,133,026)	(80,714)	(3,626,962)	(3,651,806)
Cash flows from investing activities:						
Purchase of investments	(26,983)	(9,310)	(135,877)	-	(172,170)	(160,507)
Interest income received	41,237	12,748	238,605	-	292,590	208,077
Net cash provided (used) by investing activities	14,254	3,438	102,728	-	120,420	47,570
Change in cash and cash equivalents	-	-	(166,548)	3,147	(163,401)	76,905
Cash and cash equivalents - beginning	-	-	1,787,900	53,756	1,841,656	1,764,751
Cash and cash equivalents - ending	\$ -	\$ -	\$ 1,621,352	\$ 56,903	\$ 1,678,255	\$ 1,841,656

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Statement of Cash Flows - Continued

### Proprietary Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Nonmajor Fund Solid Waste	Totals	
					2018	2017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income	\$ 384,049	\$ 551,887	\$ 1,203,503	\$ (13,859)	\$ 2,125,580	\$ 2,107,918
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	434,807	573,713	1,441,462	47,390	2,497,372	2,282,334
Change in pension related assets, deferred outflows, liabilities and deferred inflows	3,500	3,703	23,798	3,098	34,099	78,195
Changes in assets and liabilities						
Receivables	(67,912)	(19,773)	(366,312)	53	(453,944)	62,279
Inventory	(584)	(2,703)	14,721	-	11,434	39,066
Prepaid items	-	-	(10)	-	(10)	-
Accounts payable	(44,689)	9,566	(93,496)	(350)	(128,969)	(36,790)
Accrued and other current liabilities	-	-	-	(490)	(490)	304
Customer deposits	-	-	19,824	-	19,824	4,868
Compensated absences	2,899	1,710	25,350	-	29,959	(80)
Net cash provided (used) by operating activities	\$ 712,070	\$ 1,118,103	\$ 2,268,840	\$ 35,842	\$ 4,134,855	\$ 4,538,094

See accompanying notes to the financial statements.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Introduction**

The City of Sturgeon Bay, Wisconsin (the "City") is located in Door County, Wisconsin, and was incorporated under the provisions of the constitution and general statutes of the state of Wisconsin. The City operates under a mayor-council form of government and provides a full range of services including public safety, roads, sanitation, culture and recreation, planning, and general administrative services. The accompanying financial statements conform to accounting principles generally accepted in the United States as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the City.

#### **The Financial Reporting Entity**

This report includes all of the funds of the City of Sturgeon Bay, Wisconsin. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting 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 reporting entity if all of the following criteria are met: (1) 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; (2) 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; (3) 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 that primary government. According to this criteria, the City has not identified any component units that are required to be included in the basic financial statements.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Jointly Governed Organizations**

##### *Door County Library*

The City is a participant with Door County, Wisconsin in a joint venture to operate the Door County Library. The Door County Library is governed by a seven member board composed of two members of the City Council and five members appointed by Door County. The City and County are obligated by agreement to fund one-half of the utilities, janitorial service, insurance, maintenance and repair and related supplies for grounds, building, its contents and equipment located at the library. During 2018, the City remitted an appropriation of \$76,238 to Door County for the library. The library building is owned by the City and is included in the capital assets of the governmental activities. Complete financial statements for the Door County Library can be obtained from Door County at 421 Nebraska St. Sturgeon Bay, Wisconsin 54235.

##### *Door County Tourism Zone*

The City is a participant with all other Door County municipalities in a joint venture to create the Door County Tourism Zone as prescribed under Wisconsin Statute 66.0615. The Tourism Zone is responsible for collecting a 5.5% room tax on the gross receipts from retail furnishing of rooms or lodgings over all of the member municipalities. The Tourism Zone pays 66% of the collections to the Door County Visitor Bureau, 30% to the member municipalities and retains 4% for its operations. During 2018, the City received \$191,160 of room tax from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from its office in Sister Bay, Wisconsin. Revenue received is recorded in the general fund of the City.

#### **Basis of Presentation**

##### *Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Basis of Presentation (Continued)**

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and service, 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.

#### *Fund Financial Statements*

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. Fiduciary funds are organized by fund type. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.
- In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

##### *Major Funds*

The City reports the following major governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all the financial activity that is not accounted for and reported in another fund.

Capital Improvements Fund – This fund accounts for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

The City reports the following major proprietary funds:

Sewer Utility – The Sewer Utility accounts for the operations of the City's sanitary sewer system.

Water Utility – The Water Utility accounts for the operations of the City's water system.

Electric Utility – The Electric Utility accounts for the operations of the City's electric utility system.

#### Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year. Expenditures are recognized when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as fund liabilities when expected to be paid with expendable available financial resources.

# **City of Sturgeon Bay, Wisconsin**

## **Notes to Basic Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus and Basis of Accounting (Continued)**

The City's share of property taxes is recorded in the year levied as a receivable and a deferred inflow of resources. Property taxes are recognized as revenues in the succeeding year when services financed by the levy are being provided. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school districts and technical college district. Taxes for all state and local governmental units (other than the City) billed in the current year for the succeeding year are reflected as due to other taxing units in the accompanying statement of net position and balance sheet.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

In the government-wide financial statements, special assessments are recognized as revenues when levied against the benefiting properties. In governmental fund financial statements, special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held for collection by the county are reported as receivables and unavailable revenues in the General Fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest.

Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary funds are accounted for on the accrual basis. Revenues such as user fees are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred. Water service charges to consumers are billed at rates established by the Wisconsin Public Service Commission. Waste water, storm water, and solid waste service charges to consumers are billed at rates established by the City's common council. All classes of utility consumers are billed on a quarterly basis, except parking utility for which revenue is generated from meters and parking lot permit fees.

#### **Cash and Investments**

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments of individual funds are pooled unless maintained in segregated accounts and are carried at cost.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Receivables and Revenue Recognition**

Under Wisconsin law, personal property taxes and the first installment of real estate taxes are due January 31 and are collected by city, village, and town treasurers or clerks, who then make settlements with school districts and with county treasurers for certain purposes. By contractual agreement, the County Treasurer collects the taxes through January on behalf of the City. These transactions are accounted for in the General Fund. The second installment of real estate taxes (due July 31) and delinquent taxes are collected and settled by the county treasurer.

The 2017 tax levy is budgeted as property tax revenue for the year 2018 and is recognized as revenue in 2018 to the extent available. Real property tax assessments for the 2017 tax levy were based on assessed valuations as of January 1, 2017. The City levied property taxes pursuant to law in December 2017, at which time an enforceable legal claim is attached to properties. Door County obtains liens on property for which taxes are delinquent on the third Tuesday in October each year. The County pays the City in full for real estate taxes by August 31 each year.

The property taxes are recorded as a receivable in the General Fund, with corresponding amounts due other governments and governmental fund types. Since the property taxes are levied for the subsequent year, the property taxes due governmental funds for City purposes are recorded as a deferred inflow of resources in the governmental funds. This amount is recognized as revenue in the following year. Property taxes due to other governments are recorded as liabilities.

In determining when to recognize intergovernmental revenues (grants, subsidies, and shared revenues), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability. Unearned revenue is recorded for grant funds received but not earned. A receivable is recorded for grant funds earned but not received.

Income from investments is recognized when earned.

Special assessments receivable are recorded as levied. Current revenues represent the amounts considered available as explained above.

Loans receivables - The City has received federal and state grant funds for economic development and housing rehabilitation loan programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable and expenditure when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements. In the governmental Funds, the City records a deferred inflow of resources for the net amount of the receivable. As the loans are repaid, revenue is recognized. Any unspent loan proceeds are presented as restricted fund balance in the fund financial statements.

# **City of Sturgeon Bay, Wisconsin**

## **Notes to Basic Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Inventories and Prepaid Items**

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. Inventory items are expensed in the period used. Any materials and supplies on hand at year-end are valued at the lower of cost, determined on the first-in, first out (FIFO) method, or market. Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant.

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepayments. The cost of these services is recorded as expense when consumed rather than when purchased.

#### **Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing assets.

Capital assets are recorded in the government-wide financial statements but are not reported in the governmental funds financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 100 years for infrastructure, site improvements, and buildings and 5 to 10 years for equipment.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

#### **Restricted Cash and Investments**

Assets whose use is restricted by bond agreements, regulatory agencies, or enabling legislation are reported as restricted.

#### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Interfund Transactions (Continued)

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Internal balances between funds of the governmental activities or funds of the business-type activities are eliminated in the government-wide financial statements.

#### Investment in American Transmission Company (ATC)

The City is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The City owns less than 1 percent of ATC.

The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, the City has the option to contribute additional funds to maintain its proportionate share of ownership. The investment in American Transmission Company LLC is recorded at cost since it is privately held and has no readily available fair market value. The City's ownership share is valued at \$2,350,846 as of December 31, 2018, and is reported on the Statement of Net Position as an asset.

#### Customer Deposits

The balance represents amounts collected from customers which may be refundable based on rules filed with the Public Service Commission of Wisconsin (PSCW) or statutory requirements.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of items that qualify for reporting in this category. They are the deferred amount on refunding and the deferred outflows related to pensions and OPEB. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions represent the City's proportionate share of collective deferred outflows of resources related to pensions and City's contributions to pension and OPEB plans subsequent to the measurement date of the collective net pension/OPEB liability (asset) for the WRS and LRLIF plans.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and/or balance sheet 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 three types of items that qualify for reporting in this category. The first is property taxes levied for the subsequent year. These amounts are deferred and recognized as an inflow of resources in the following year as the amounts become available. The second is deferred inflows of resources related to pensions for its proportionate share of the collective deferred inflows of resources related to pensions for the WRS plan and OPEB for the LRLIF plan. The third is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: special assessments and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements or employee benefit policy. Employees may accumulate sick leave up to 100 days pay. Upon retirement, police department employees may take 50 days of unused sick leave in cash or apply up to 100 days of unused sick pay towards health insurance premiums. Fire department employees are only allowed to apply up to 100 days of unused sick leave pay towards health insurance premiums. Upon retirement, all other employees will be paid for all unused sick leave days. If an employee leaves for reasons other than retirement, all unused sick leave is forfeited. Sturgeon Bay Utilities' employees are allowed to accumulate earned but unused vacation and sick leave benefits in accordance with employee benefit policy. Employees are allowed to accumulate up to 125 days of sick leave. Upon retirement, disability or death, unused sick leave credits shall be paid out to the employee. Qualified retirement means the employee is entitled to retirement benefits from the Wisconsin Retirement System. The above credit would be reduced by the percentage reduction in retirement benefits if employee elects early retirement. Vacation and sick leave is accrued when incurred in the governmentwide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Pension Plan**

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, 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.

#### **Other Post-Employment Benefits**

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance (adjusted for unspent proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

#### **Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not a spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Fund Balances (Continued)**

*Restricted fund balance:* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantor, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance:* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance:* This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City's common council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance:* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

#### **Prior Year Information**

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

#### **New Accounting Pronouncement**

Management adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement was released in June 2015 and replaces GASB Statement No. 45. GASB Statement No. 75 is effective for employer fiscal years beginning after June 15, 2017.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 2: Excess of Expenditures over Budget Appropriations

For the year ended December 31, 2018, the following departments had actual expenditures in excess of budget appropriations:

Department	Budget	Actual
Elections	\$ 25,115	\$ 28,648
Legal/Special counsel	55,000	109,931
Miscellaneous general government	91,675	111,804
Street machinery	167,850	178,191
Curb and gutter	14,960	17,375
Street signs and marketing	58,175	59,539
Garbage and refuse collection	51,765	57,128
Solid waste site	44,160	47,646
Waterfront parks and walkways	63,840	72,836
Building/zoning	83,465	110,806
Interest and fiscal charges	108,100	187,394

### Note 3: Cash and Investments

#### Deposits

Deposits at each bank in the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing). Accounts at each institution outside the state of Wisconsin are insured by the FDIC up to \$250,000 for the combined total of all deposit accounts. In addition, the State of Wisconsin Public Depository Guarantee Fund guarantees the City's deposits up to \$400,000 per public depository. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy for custodial credit risk. Funds may be only invested up to \$500,000 at any financial institution unless the excess is collateralized.

As of December 31, 2018, none of the City's bank balance of \$9,695,180 was exposed to custodial credit risk.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 3: Cash and Investments (Continued)

#### Investments

Investment in Wisconsin Local Government Investment Pool: The City has investments in the Wisconsin local government investment pool (LGIP) of \$11,279,836 at year-end. The 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, 2018, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in LGIP is not subject to the fair value hierarchy disclosures.

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2018:

Investment Type	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 930,389	\$ -	\$ 930,389	\$ -
Fannie Mae	120,304	-	120,304	-
Federal Farm Credit Banks Debenture	39,976	-	39,976	-
Federal Home Loans Banks Debenture	147,633	-	147,633	-
Federal Home Loan Mortgage	258,312	-	258,312	-
Federal National Mortgage Association	180,829	-	180,829	-
Freddie Mac	40,007	-	40,007	-
Government National Mortgage Association	95,287	-	95,287	-
Negotiable Certificates of Deposit	2,968,933	-	2,968,933	-
US Treasury Notes	845,117	-	845,117	-
<b>Total</b>	<b>\$ 5,626,787</b>	<b>\$ -</b>	<b>\$ 5,626,787</b>	<b>\$ -</b>

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. The City does have a deposit policy for custodial credit risk. No more than 50% of the total investments should extend beyond 5 years and in no circumstance should extend beyond 10 years with the exception of the City's investment in American Transmission Company. 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:

## City of Sturgeon Bay, Wisconsin

### Notes to Basic Financial Statements

#### Note 3: Cash and Investments (Continued)

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Corporate bonds	\$ 930,389	\$ 30,781	\$ 45,171	\$ 770,285	\$ 84,152
Fannie Mae	120,304	-	-	42,797	77,507
Federal Farm Credit Banks Debenture	39,976	-	-	39,976	-
Federal Home Loans Banks Debenture	147,633	-	-	147,633	-
Federal Home Loan Mortgage	258,312	-	140,339	98,656	19,317
Federal National Mortgage Association	180,829	-	-	120,878	59,951
Freddie Mac	40,007	-	-	-	40,007
Government National Mortgage Association	95,287	-	-	-	95,287
Negotiable Certificates of Deposit	2,968,933	2,226,380	742,553	-	-
US Treasury Notes	845,117	-	301,651	430,026	113,440
Wisconsin local government investment pool	11,279,836	11,279,836	-	-	-
<b>Total</b>	<b>\$ 16,906,623</b>	<b>\$ 13,536,997</b>	<b>\$ 1,229,714</b>	<b>\$ 1,650,251</b>	<b>\$ 489,661</b>

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 investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 3: Cash and Investments (Continued)

Investment Type	Total	Unrated	AAA	AA+	AA-	AA	A-	A
Corporate bonds	\$ 930,389	\$ 63,121	\$ 671,671	\$ 32,386	\$ 62,953	\$31,414	\$ 38,771	\$30,073
Fannie Mae	120,304	120,304	-	-	-	-	-	-
Federal Farm Credit Banks								
Debenture	39,976	-	-	39,976	-	-	-	-
Federal Home Loans Banks								
Debenture	147,633	-	-	147,633	-	-	-	-
Federal Home Loan Mortgage	258,312	94,478	-	163,834	-	-	-	-
Federal National Mortgage								
Association	180,829	21,004	-	159,825	-	-	-	-
Freddie Mac	40,007	40,007	-	-	-	-	-	-
Government National Mortgage								
Association	95,287	95,287	-	-	-	-	-	-
Negotiable Certificates of Deposit	2,968,933	2,968,933	-	-	-	-	-	-
US Treasury Notes	845,117	119,348	725,769	-	-	-	-	-
Wisconsin local government								
investment pool	11,279,836	11,279,836	-	-	-	-	-	-
<b>Total</b>	<b>\$16,906,623</b>	<b>\$14,802,318</b>	<b>\$ 1,397,440</b>	<b>\$ 543,654</b>	<b>\$ 62,953</b>	<b>\$31,414</b>	<b>\$ 38,771</b>	<b>\$30,073</b>

### Note 4: Restricted Investments

Mandatory segregations of assets are presented on the statement of net position as restricted cash and investments. Such segregations are required by bond agreements, regulatory agencies, or enabling legislation.

Restricted investments at December 31, 2018 totaled \$525,126 held for the replacement of wastewater treatment mechanical equipment as required by the Wisconsin Department of Natural Resources.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 5: Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables in the fund financial statements:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Revolving Loan	\$ 10,527
General Fund	TID No. 2	887,525
General Fund	TID No. 3	113,477
General Fund	TID No. 4	404,006
General Fund	Water Utility	374,379
General Fund	Electric Utility	510,038
TID No. 1	General Fund	217,543
Sewer Utility	Electric Utility	83,387
Water Utility	Sewer Utility	97,062
Water Utility	Electric Utility	235,986
		<u>\$ 2,933,930</u>

The interfund balances from the Water Utility and Electric Utility to to the General Fund was related to tax equivalents to be paid in the subsequent year. The remaining amounts are to cover overdrafts of pooled cash accounts or budgeted transfers not made at year end. All amounts are expected to be repaid within the next fiscal year.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 6: Capital Assets

Capital asset balances and activity for the year ended December 31, 2018, were as follows:

<b>Governmental activities:</b>	<b>Balance 12/31/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/18</b>
Capital assets, not being depreciated:				
Land	\$ 5,600,427	\$ 20,500	\$ 336,071	\$ 5,284,856
Construction in progress	1,360,723	-	1,360,723	-
<b>Total capital assets, not being depreciated</b>	<b>6,961,150</b>	<b>20,500</b>	<b>1,696,794</b>	<b>5,284,856</b>
Capital assets, being depreciated:				
Land improvements	4,988,929	356,437	-	5,345,366
Buildings and improvements	10,061,771	-	-	10,061,771
Machinery and equipment	7,561,140	1,723,617	155,918	9,128,839
Infrastructure	58,478,230	1,041,859	975,833	58,544,256
<b>Total capital assets, being depreciated</b>	<b>81,090,070</b>	<b>3,121,913</b>	<b>1,131,751</b>	<b>83,080,232</b>
Accumulated depreciation:				
Land improvements	4,020,021	211,536	-	4,231,557
Buildings and improvements	4,281,825	221,815	-	4,503,640
Machinery and equipment	5,891,185	421,413	155,918	6,156,680
Infrastructure	21,292,915	1,356,634	934,922	21,714,627
<b>Total accumulated depreciation</b>	<b>35,485,946</b>	<b>2,211,398</b>	<b>1,090,840</b>	<b>36,606,504</b>
<b>Total capital assets, being depreciated, net</b>	<b>45,604,124</b>	<b>910,515</b>	<b>40,911</b>	<b>46,473,728</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 52,565,274</b>	<b>\$ 931,015</b>	<b>\$ 1,737,705</b>	<b>\$ 51,758,584</b>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 215,061
Public safety	242,596
Public works	1,565,004
Culture, recreation, and education	188,737
<b>Total depreciation expense, governmental activities</b>	<b>\$ 2,211,398</b>

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 6: Capital Assets (Continued)

Business-type activities:	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated:				
Land	\$ 276,084	\$ -	\$ -	\$ 276,084
Construction in progress	795,471	282,178	795,471	282,178
<b>Total capital assets, not being depreciated</b>	<b>1,071,555</b>	<b>282,178</b>	<b>795,471</b>	<b>558,262</b>
Capital assets, being depreciated:				
Buildings and improvements	7,420,528	40,616	27,004	7,434,140
Machinery and equipment	11,766,207	746,326	91,587	12,420,946
Infrastructure	62,134,040	3,594,207	1,468,099	64,260,148
<b>Total capital assets, being depreciated</b>	<b>81,320,775</b>	<b>4,381,149</b>	<b>1,586,690</b>	<b>84,115,234</b>
Accumulated depreciation:				
Buildings and improvements	4,370,083	134,657	-	4,504,740
Machinery and equipment	7,116,033	568,693	97,888	7,586,838
Infrastructure	24,546,359	1,794,022	1,503,903	24,836,478
<b>Total accumulated depreciation</b>	<b>36,032,475</b>	<b>2,497,372</b>	<b>1,601,791</b>	<b>36,928,056</b>
<b>Total capital assets, being depreciated, net</b>	<b>45,288,300</b>	<b>1,883,777</b>	<b>(15,101)</b>	<b>47,187,178</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 46,359,855</b>	<b>\$ 2,165,955</b>	<b>\$ 780,370</b>	<b>\$ 47,745,440</b>
Depreciation was charged to business-type activities as follows:				
Sewer utility			\$	434,807
Water utility				573,713
Electric utility				1,441,462
Solid waste				47,390
<b>Total depreciation expense, business-type activities</b>			<b>\$</b>	<b>2,497,372</b>

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 7: Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2018:

<i>Year Ended December 31, 2018</i>	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt					
Bonds	\$ 21,830,000	\$ 1,480,000	\$ 1,600,000	\$ 21,710,000	\$ 1,800,000
Notes	1,682,895	-	422,608	1,260,287	342,188
Total general obligation debt	23,512,895	1,480,000	2,022,608	22,970,287	2,142,188
Bond anticipation notes	3,615,000	-	300,000	3,315,000	-
Debt premium	270,063	42,580	59,874	252,769	63,426
Net OPEB liability	248,087	72,883	-	320,970	-
Total OPEB liability	1,547,375	-	152,307	1,395,068	-
Compensated absences	806,353	-	20,618	785,735	-
<b>Governmental activities Long-Term obligations</b>	<b>29,999,773</b>	<b>1,595,463</b>	<b>2,555,407</b>	<b>29,039,829</b>	<b>2,205,614</b>
<b>Business-type activities:</b>					
General obligation debt					
Notes	127,820	-	88,907	38,913	8,192
Compensated absences	366,985	29,959	-	396,944	-
<b>Business-type activities Long-term obligations</b>	<b>\$ 494,805</b>	<b>\$ 29,959</b>	<b>\$ 88,907</b>	<b>\$ 435,857</b>	<b>\$ 8,192</b>

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 7: Long-Term Obligations (Continued)

General obligation debt currently outstanding is detailed as follows:

<i>Year Ended December 31, 2018</i>	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
General obligation notes	11/14/05	11/14/25	5.00%	\$ 417,132	\$ 202,904
General obligation notes	5/11/06	5/11/26	5.00%	158,476	81,591
General obligation notes	9/21/06	9/21/26	5.00%	75,383	41,242
General obligation bonds	9/1/11	10/1/22	2.35-2.55%	1,985,000	1,985,000
General obligation notes	11/2/11	11/2/21	3.60%	19,000	5,700
General obligation notes	11/2/11	11/2/21	3.60%	26,820	8,046
General obligation notes	11/2/11	11/2/21	3.60%	164,213	49,264
General obligation notes	11/2/11	11/2/21	3.60%	75,000	22,500
General obligation notes	11/2/11	11/2/21	3.60%	162,000	48,600
General obligation bonds	7/5/12	10/1/23	0.70- 2.50%	2,815,000	2,340,000
General obligation notes - split 50/50 between Governmental- Type and Business-Type Activities					
	9/30/13	9/28/23	0.00%	163,847	77,827
General obligation bonds	10/1/13	10/1/33	2.625-4.625%	1,755,000	1,255,000
General obligation bonds	12/30/13	10/1/21	2.00-3.00%	1,620,000	850,000
General obligation bonds	12/30/13	10/1/25	2.00-3.00%	1,735,000	1,230,000
General obligation bonds	12/30/13	10/1/21	2.00-3.00%	1,480,000	855,000
General obligation bonds	9/9/14	10/1/25	2.375-2.50%	1,295,000	1,295,000
General obligation bonds	9/22/15	10/1/25	2.35-2.65%	1,100,000	1,100,000
General obligation bonds	9/22/15	10/1/25	1.00-2.65%	985,000	845,000
General obligation notes	1/31/16	1/31/26	5.00%	31,563	15,199
General obligation notes	8/8/16	3/12/21	2.50%	258,499	157,359
General obligation bonds	9/7/16	10/1/31	2.00%	7,325,000	7,325,000
General obligation notes	9/7/16	3/15/19	2.50%	61,254	31,396
General obligation notes	10/4/16	3/15/21	2.50%	191,596	147,029
General obligation notes	12/6/16	3/15/26	3.00%	100,605	91,418
General obligation notes	12/20/16	3/15/21	2.50%	407,856	311,392
General obligation notes	12/28/16	3/15/19	2.50%	15,197	7,733
General obligation bonds	11/14/17	10/1/37	3.00-3.15%	1,225,000	1,150,000
General obligation bonds	11/6/18	10/1/28	2.50-4.00%	1,480,000	1,480,000
<b>Total</b>				<b>\$ 23,009,200</b>	

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 7: Long-Term Obligations (Continued)

Annual principal and interest maturities of the outstanding general obligation debt

Year Ended December 31,	Governmental-Type Long-Term Debt		Business-Type Long-Term Debt		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,142,188	\$ 574,074	\$ 8,192	\$ -	\$ 2,150,380	\$ 574,074
2020	2,120,280	531,079	8,192	-	2,128,472	531,079
2021	2,833,838	508,840	8,192	-	2,842,030	508,840
2022	2,659,427	397,887	8,192	-	2,667,619	397,887
2023	1,818,716	314,767	6,145	-	1,824,861	314,767
2024 - 2028	8,310,838	965,139	-	-	8,310,838	965,139
2029 - 2033	2,835,000	219,775	-	-	2,835,000	219,775
2034 - 2037	250,000	19,913	-	-	250,000	19,913
<b>Total</b>	<b>\$ 22,970,287</b>	<b>\$ 3,531,474</b>	<b>\$ 38,913</b>	<b>\$ -</b>	<b>\$ 23,009,200</b>	<b>\$ 3,531,474</b>

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

**Long-Term Debt Margin:** Pursuant to Section 67.03 of the Wisconsin Statutes, the total indebtedness of the City for general purposes may not exceed 5% of the value of the taxable property.

	Amount
Equalized value at December 31, 2018	\$ 864,270,500
Legal debt margin percentage	5 %
General obligation debt limitation, per section 67.03 of the Wisconsin Statutes	43,213,525
Outstanding general obligation debt subject to debt limit	\$ 23,009,200
	<u>23,009,200</u>
Legal debt margin	<u>\$ 20,204,325</u>

Taxable note anticipation notes outstanding on December 31, 2018 was comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
Bond anticipation notes	3/30/17	10/1/20	2.00%	\$ 3,315,000	\$ 3,315,000

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 7: Long-Term Obligations (Continued)

Annual principal and interest maturities of the outstanding anticipation note debt of \$3,315,000 on December 31, 2018 are detailed below:

<i>Year Ended December 31,</i>	Principal	Interest	Total
2019	\$ -	\$ 66,300	\$ 66,300
2020	3,315,000	33,150	3,348,150
Total	\$ 3,315,000	\$ 99,450	\$ 3,414,450

### Note 8: Interfund Transfers

The following is a schedule of interfund transfers in the fund financial statements:

Fund Transferred To	Fund Transferred From	Amount	Purpose
General Fund	Water Utility	\$ 374,379	Tax equivalent payment
General Fund	Electric Utility	510,038	Tax equivalent payment
General Fund	Solid Waste	2,400	Rent
General Fund	Capital Improvements	301,335	Debt retirement
General Fund	Revolving Loan	10,527	Reimbursement of costs
General Fund	Cable TV	4,500	Rent
Capital Improvements	General Fund	27,679	Pay for capital expenditures
Capital Improvements	Cable TV	149,436	Pay for capital expenditures
		<u>\$ 1,380,294</u>	

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 9: Net Position

Net position reported on the government-wide statement of net position at December 31, 2018, includes the following:

#### Governmental Activities:

##### Net investment in capital assets:

Land	\$ 5,284,856
Other capital assets, net of accumulated depreciation	46,473,728
Less: Related long-term debt outstanding (net of unspent proceeds of debt)	<u>(26,538,056)</u>

Total net investment in capital assets	25,220,528
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##### Restricted for:

Loan programs	875,497
Capital Improvements	<u>4,170,926</u>

Total restricted	5,046,423
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Unrestricted	<u>10,242,136</u>
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Total net position	<u><u>\$ 40,509,087</u></u>
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#### Business-Type Activities:

##### Net investment in capital assets:

Land	\$ 276,084
Construction in progress	282,178
Other capital assets, net of accumulated depreciation	47,187,178
Less: Related long-term debt outstanding (net of unspent proceeds of debt)	<u>(38,913)</u>

Total net investment in capital assets	47,706,527
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##### Restricted for:

Plant replacement	525,126
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Unrestricted	<u>10,833,558</u>
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Total net position	<u><u>\$ 59,065,211</u></u>
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# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 10: Governmental Fund Balances

Governmental fund balances on the fund financial statements at December 31, 2018, include the following:

#### Nonspendable

##### General Fund

Inventories and prepaid items	\$ 3,338
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#### Restricted

##### Special Revenue Funds

Loan programs	\$ 729,373
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##### Capital Projects Funds

Tax Incremental District No. 1	1,073,368
Tax Incremental District No. 2	1,188,597
Tax Incremental District No. 3	744,007
Tax Incremental District No. 4	1,164,954

Total Restricted Fund Balance	\$ 4,900,299
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#### Assigned

##### Capital Projects Funds

Capital Improvements	\$ 2,376,460
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##### Special Revenue Funds

Cable TV	134,168
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Total Assigned	\$ 2,510,628
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#### Minimum General Fund Balance Policy

The City has also adopted a minimum fund balance policy of 25% of subsequent year budgeted expenditures for the general fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Calendar 2019 operating budget	\$ 10,909,520
Minimum Fund Balance %	(x) 25%
Total	\$ 2,727,380

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 11: Tax Incremental District Funds

As provided by Statute Number 66.1105, the City of Sturgeon Bay has established tax incremental districts for the development of areas in the City. All expenditures by the City for these areas are expected to be repaid through the increase in taxes resulting from the development of these areas. The increase in taxes will be deposited in the Tax Incremental District Funds as provided by Statute 66.1105(6)(b) and will be used to repay loans and make other expenditures of the districts.

### Note 12: Employee Retirement Plans - Wisconsin Retirement System

**Plan Description:** The Wisconsin Retirement System (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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>.

**Vesting:** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits Provided:** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest years' annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 12: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**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
2008	6.6 %	- %
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0

**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. Starting on January 1, 2006, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ended December 31, 2017, the WRS recognized \$519,913 in contributions from the employer.

Contribution rates as of December 31, 2018, are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.7 %	6.7 %
Protective with social security	6.7	10.7
Protective without social security	6.7	14.9

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 12: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At December 31, 2018, the City reported an asset of \$1,490,815 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.05021072%, which was an increase of 0.00085745% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$649,699.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,894,118	\$ (886,004)
Change in assumptions	294,556	-
Net differences between projected and actual earnings on pension plan investments		(2,048,987)
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,722	(10,491)
Employer contributions subsequent to the measurement date	514,968	-
<b>Total</b>	<b>\$ 2,713,364</b>	<b>\$ (2,945,482)</b>

The amount of \$514,968 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 164,324
2020	(12,829)
2021	(514,126)
2022	(388,024)
2023	3,569

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

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### Note 12: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**Actuarial Assumptions:** The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2017
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% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based on an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017, is based on a roll-forward of the liability calculated from the December 31, 2016, 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:

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 12: Employee Retirement Plans - Wisconsin Retirement System (Continued)

#### Asset Allocation Targets and Expected Returns As of December 31, 2017

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	50.0 %	8.2 %	5.3 %
Fixed income	24.5 %	4.2 %	1.4 %
Inflation sensitive assets	15.5 %	3.8 %	1.0 %
Real estate	8.0 %	6.5 %	3.6 %
Private equity/debt	8.0 %	9.4 %	6.5 %
Multi-asset	4.0 %	6.5 %	3.6 %
Total core fund	110.0 %	7.3 %	4.4 %
<u>Variable Fund Asset Class</u>			
U.S. equities	70.0 %	7.5 %	4.6 %
International equities	30.0 %	7.8 %	4.9 %
Total variable fund	100.0 %	7.9 %	5.0 %

*New England Consultants Long-Term US CPI (Inflation) Forecast: 2.75%*

*Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.*

**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 3.31%. 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.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 12: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:** The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.20 percent) or 1 percentage point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WRS employer's proportionate share of the net pension liability (asset)	\$ 3,857,249	\$ (1,490,815)	\$ (5,555,511)

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

**Payables to the Pension Plan:** At December 31, 2018, the City reported a payable of \$78,896 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

### Note 13: Other Postemployment Benefits

The City administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses through the City's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and individual employment contracts. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive medical insurance benefits until they are eligible for Medicare. The plan does not issue a standalone report.

Membership of the plan consisted of two retirees receiving benefits and 24 active plan members at December 31, 2018.

The City's total OPEB liability at December 31, 2018 was \$1,395,068. The total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	4.1%
Salary increases	3.0%
Healthcare cost	4.6% increasing by 0.1% up to 4.8%, then decreasing by 0.1% per year down to 4.7% and level thereafter
Discount rate	4.1
Mortality	RP2000 Mortality Table

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 13: Other Postemployment Benefits (Continued)

The 4.1 percent discount rate used to measure the total OPEB liability was determined by the actuary at Bond Buyer Go for a 20-year AA municipal bond as of December 31, 2018.

Changes in the total OPEB liability for the year ended December 31, 2018, are as follows:

Balance at December 31, 2017	\$ 1,547,375
Changes for the year:	
Service cost	98,373
Interest	63,855
Effect of economic/demographic gains or losses	(272,728)
Effect of assumption changes or inputs	(41,807)
Net changes	(152,307)
Balance at December 31, 2018	\$ 1,395,068

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.1%) or 1 percentage point higher (5.1%) than the current rate:

	1% Decrease to Discount Rate (3.1%)	Current Discount Rate (4.1%)	1% Increase to Discount Rate (5.1%)
City's total OPEB liability	\$ 1,609,310	\$ 1,395,068	\$ 1,216,031

The following represents the City's total OPEB liability calculated using the healthcare cost trend rate of 4.6% increasing by 0.1% per year up to 4.8%, then decreasing by 0.1% per year down to 4.7% and level thereafter, as well as what the City's total OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
City's total OPEB liability	\$ 1,175,286	\$ 1,395,068	\$ 1,663,867

**LRLIF Plan description** - The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

**OPEB Plan Fiduciary Net Position** - ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### **Note 13: Other Postemployment Benefits (Continued)**

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

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

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2018 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are as listed below:

<b>Life Insurance Employee Contribution Rates For the year ended December 31, 2017</b>	
<u>Attained Age</u>	
Under 30	\$ 0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$2,025 in contributions from the employer.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 13: Other Postemployment Benefits (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At December 31, 2018, the City reported a liability of \$320,970 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was .106685%, which was an increase of .004502% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized OPEB expense of \$44,145.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,522)
Change in assumptions	31,016	-
Net differences between projected and actual earnings on plan investments	3,696	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,478	-
<b>Total</b>	<b>\$ 44,190</b>	<b>\$ (4,522)</b>

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

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 6,433
2020	6,433
2021	6,433
2022	6,433
2023	5,509
Thereafter	8,427

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 13: Other Postemployment Benefits (Continued)

Actuarial assumptions - The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
Measurement date of net OPEB liability (asset)	December 31, 2017
Actuarial cost method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.44%
Long-term expected rate of return	5.00%
Discount rate	3.63%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table

Long-term expected Return on Plan Assets - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

#### Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2017

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Government Bonds	Barclays Government	1 %	1.13 %
US Credit Bonds	Barclays Credit	65 %	2.61 %
US Long Credit Bonds	Barclays Long Credit	3 %	3.08 %
US Mortgages	Barclays Long Credit	31 %	2.19 %
Inflation			2.30 %
Long-Term Expected Rate of Return			5.00 %

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 13: Other Postemployment Benefits (Continued)

Single Discount rate - A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 3.63 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
LRLIF Employer's proportionate share of the net OPEB (asset) liability	\$ 453,653	\$ 320,970	\$ 219,150

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

### Note 14: Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For all risks of loss other than for employee health and dental care, the City's policy is to purchase commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 15: Contingent Liabilities

From time to time, the City is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the City's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

### Note 16: WPPI Energy

Sturgeon Bay Utilities (the "Utilities") purchases all of its electric requirements from WPPI Energy. WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act Sec. 66.073 of the Wisconsin Statutes. WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

# City of Sturgeon Bay, Wisconsin

## Notes to Basic Financial Statements

### Note 16: WPPI Energy (Continued)

Members of WPPI are located throughout the State of Wisconsin, Michigan and Iowa. On December 1, 1989, each of WPPI's members, including the Utilities commenced purchasing electric service from WPPI under a Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. In 2015, most WPPI members ratified an extension to their contracts. The current contract expires on December 31, 2055.

Under the Long-term Contract, the Utilities and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirements which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. The Utilities have agreed to charge rates to the retail ratepayers sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the Utilities payable from any operating and maintenance fund established by the Utilities for that system.

### Note 17: Prior Year Restatement

As a result of the implementation of GASB Statement No. 75, the City has restated beginning net position as follows:

	Governmental Activities
Balance at December 31, 2017, as previously reported	\$ 39,513,656
Remove beginning net OPEB obligation	266,576
Add beginning total OPEB liability	(1,547,375)
Add beginning net OPEB liability	(248,087)
Add restated beginning OPEB deferred outflows	10,930
General Fund Adjustment below	245,622
Balance at December 31, 2017, as restated	<u>\$ 38,241,322</u>

In addition, the payments in lieu of taxes were understated between the funds.

	Water Utility	Electric Utility	General Fund
Balance at December 31, 2017, as previously reported	\$ 14,887,642	\$ 29,009,365	\$ 5,054,289
Adjustment to actual amounts owed	(63,246)	(182,376)	245,622
Balance at December 31, 2017, as restated	<u>\$ 14,824,396</u>	<u>\$ 28,826,989</u>	<u>\$ 5,299,911</u>

In addition, certain amounts in the December 31, 2017 financial statements have been reclassified to conform to the classifications used in the December 31, 2018 financial statements. These reclassifications have no effect on the previously reported increase in net position.

## **Required Supplementary Information**

# City of Sturgeon Bay, Wisconsin

## Statement of Revenues, Expenditures and Changes in Fund Balances -

### Budget and Actual - General Fund

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Budgeted Amounts		Variance with Final Budget	
	Original and Final	Actual Amounts	Positive (Negative)	2017 Actual
Revenues:				
Taxes				
General property	\$6,326,750	\$6,326,750	\$ -	\$5,974,087
Mobile home	85,700	82,841	(2,859)	86,445
Payment in lieu of taxes	1,870	1,805	(65)	-
Room tax	185,000	191,160	6,160	192,432
Retained sales tax	120	111	(9)	123
Interest and taxes	440	457	17	540
Total taxes	6,599,880	6,603,124	3,244	6,253,627
Special assessments	-	1,038	1,038	-
Intergovernmental				
State				
State shared taxes	954,540	954,281	(259)	943,133
Transportation	472,630	517,089	44,459	472,626
DNR - marine patrol	5,380	4,626	(754)	4,556
Tax exempt computer aid	23,545	23,888	343	23,542
DNR - in lieu of taxes	200	199	(1)	2,156
Municipal services	5,135	5,792	657	5,134
Law enforcement	3,360	-	(3,360)	16,238
Fire insurance dues	32,000	34,711	2,711	34,476
Other state payments	-	4,825	4,825	-
Total intergovernmental	1,496,790	1,545,411	48,621	1,501,861
Licenses and permits				
Licenses				
Liquor and malt beverage	29,000	30,652	1,652	30,097
Operators	3,000	3,960	960	3,440
Animal licenses	300	2,542	2,242	363
Other licenses	4,000	8,218	4,218	6,013
Permits				
Building	37,870	68,295	30,425	55,570
Plumbing and electrical	41,600	54,245	12,645	33,972
Miscellaneous	25,745	15,758	(9,987)	29,995
Signs	5,000	4,230	(770)	6,605
Total licenses and permits	146,515	187,900	41,385	166,055

See Accompanying Notes to Required Supplementary Information

# City of Sturgeon Bay, Wisconsin

## Statement of Revenues, Expenditures and Changes in Fund Balances -

### Budget and Actual - General Fund

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Budgeted Amounts		Variance with Final Budget	
	Original and Final	Actual Amounts	Positive (Negative)	2017 Actual
Fines and forfeits				
Court fines and penalties	\$ 43,000	\$ 33,089	\$ (9,911)	\$ 33,983
Public charges for services				
Special assessment letter fee	2,000	6,635	4,635	6,935
Payment in lieu of taxes	14,450	14,448	(2)	14,448
Street department	1,000	27,182	26,182	14,985
Recreation	109,350	183,175	73,825	172,101
Mooring fees	12,000	12,280	280	12,876
Weights and measures	6,000	6,003	3	6,003
Aquatic plant services	12,000	13,348	1,348	9,398
Weed control	600	1,300	700	2,150
Total public charges for services	157,400	264,371	106,971	238,896
Intergovernmental charges for services				
Fire and EMS services	465,395	466,893	1,498	462,140
Miscellaneous				
Rent from commercial property	51,055	47,537	(3,518)	50,711
Interest on investments	51,000	156,201	105,201	55,666
Interest on special assessments	-	1,654	1,654	2,754
Insurance recoveries and dividends	-	42,602	42,602	62,869
Donations	10,000	10,600	600	9,879
Other	88,830	83,539	(5,291)	50,687
Total miscellaneous	200,885	342,133	141,248	232,566
Total revenues	9,109,865	9,443,959	334,094	8,889,128

See Accompanying Notes to Required Supplementary Information

# City of Sturgeon Bay, Wisconsin

Statement of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - General Fund

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Budgeted Amounts		Variance with Final Budget	
	Original and Final	Actual Amounts	Positive (Negative)	2017 Actual
Expenditures:				
General government				
City council	\$ 58,320	\$ 57,537	\$ (783)	\$ 60,523
Mayor	12,485	12,018	(467)	12,368
Board of review	1,520	431	(1,089)	377
Clerk-treasurer	400,685	363,034	(37,651)	320,405
Municipal services administration	37,695	34,326	(3,369)	248,424
Elections	25,115	28,648	3,533	10,092
Assessment of property	90,070	88,234	(1,836)	78,264
Legal/Special counsel	55,000	109,931	54,931	42,436
City hall	134,430	121,864	(12,566)	135,014
Property and liability insurance	404,950	288,264	(116,686)	340,731
Computer	141,875	110,793	(31,082)	75,624
Contingency	1,397,825	-	(1,397,825)	10,886
Employee benefits	53,150	31,355	(21,795)	11,455
Miscellaneous	91,675	111,804	20,129	85,930
Total general government	2,904,795	1,358,239	(1,546,556)	1,432,529
Public safety				
Police department	2,558,390	2,465,559	(92,831)	2,302,679
Fire department	1,813,695	1,759,501	(54,194)	1,587,466
Building/zoning	83,465	110,806	27,341	94,998
Total public safety	4,455,550	4,335,866	(119,684)	3,985,143
Public works				
Transportation				
Public works administration	161,970	139,718	(22,252)	212,174
Street machinery	167,850	178,191	10,341	118,492
Garage	62,775	51,588	(11,187)	46,607
Storm sewer	33,030	27,943	(5,087)	14,143
Curb and gutter	14,960	17,375	2,415	19,694
Roadway of streets	186,970	181,095	(5,875)	194,537
Street sweeping	40,440	32,337	(8,103)	37,645
Snow and ice removal	224,795	171,194	(53,601)	175,822
Street lighting	181,560	142,696	(38,864)	152,723
Streets signs and marketing	58,175	59,539	1,364	51,341
Highways	302,345	246,979	(55,366)	255,865
Sanitation				
Garbage and refuse collection	51,765	57,128	5,363	48,418
Solid waste site	44,160	47,646	3,486	32,992
Weed control	9,520	254	(9,266)	353
Total public works	1,540,315	1,353,683	(186,632)	1,360,806

See Accompanying Notes to Required Supplementary Information

# City of Sturgeon Bay, Wisconsin

## Statement of Revenues, Expenditures and Changes in Fund Balances -

### Budget and Actual - General Fund

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Budgeted Amounts		Variance with Final Budget	
	Original and Final	Actual Amounts	Positive (Negative)	2017 Actual
Culture and recreation				
Library	\$ 80,725	\$ 76,238	\$ (4,487)	\$ 74,276
Celebration and entertainment	50,455	37,647	(12,808)	36,208
Recreation	118,855	87,173	(31,682)	112,088
Municipal dock	53,120	18,966	(34,154)	30,208
Parks and playground	520,920	436,739	(84,181)	427,312
Ball fields	29,785	17,729	(12,056)	23,672
Ice rinks	11,010	9,589	(1,421)	5,587
Water weed cutting	92,440	54,435	(38,005)	70,835
Total culture and recreation	957,310	738,516	(218,794)	780,186
Conservation and development				
Economic development	373,820	347,609	(26,211)	226,221
Waterfront parks and walkways	63,840	72,836	8,996	62,509
Engineering	225,915	217,503	(8,412)	212,316
Total conservation and development	663,575	637,948	(25,627)	501,046
Debt service				
Principal retirement	1,177,115	1,141,187	(35,928)	2,008,915
Interest and fiscal charges	108,100	187,394	79,294	156,036
Total debt service	1,285,215	1,328,581	43,366	2,164,951
Total expenditures	11,806,760	9,752,833	(2,053,927)	10,224,661
Excess (deficiency) of revenues over expenditures	(2,696,895)	(308,874)	2,388,021	(1,335,533)
Other Financing Sources (Uses):				
Transfers in	906,655	1,203,179	296,524	2,093,989
Transfers out	(138,375)	(27,679)	110,696	(18,574)
Total other financing sources (uses)	768,280	1,175,500	407,220	2,075,415
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(1,928,615)	866,626	2,795,241	739,882
Fund balance - beginning, as restated	5,299,911	5,299,911	-	4,560,029
Fund balance - ending	\$ 3,371,296	\$ 6,166,537	\$ 2,795,241	\$ 5,299,911

See Accompanying Notes to Required Supplementary Information

# City of Sturgeon Bay, Wisconsin

## Schedules of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Year Ended December 31, 2018 (And Prior Three Fiscal Years)

### SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM (WRS)

	2015	2016	2017	2018
Measurement date	12/31/14	12/31/15	12/31/16	12/31/17
City's proportion of the net pension liability (asset)	0.04903842%	0.04892422%	0.04935327%	0.05021072%
City's proportionate share of the net pension liability (asset)	\$ (1,204,517)	\$ 795,009	\$ 406,778	\$ (1,490,815)
City's covered payroll during the measurement period	\$ 5,350,151	\$ 5,537,617	\$ 5,596,736	\$ 5,675,256
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(22.51)%	14.36%	7.27%	(26.27)%
Plan fiduciary net position as a percentage of the total pension liability	102.74%	98.20%	99.12%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

	2015	2016	2017	2018
Contractually required contribution for the fiscal period	\$ 477,298	\$ 473,957	\$ 519,913	\$ 514,968
Contributions in relation to the contractually required contribution	(477,298)	(473,957)	(519,913)	(514,968)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll for the fiscal period	\$ 5,537,617	\$ 5,596,736	\$ 5,675,256	\$ 5,637,141
Contributions as a percentage of covered payroll	8.62%	8.47%	9.16%	9.14%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

#### Notes to the Schedules:

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

*Changes of assumptions:* There were no changes in the assumptions.

See Independent Auditor's Report.

# City of Sturgeon Bay, Wisconsin

## Schedules of Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - LRLIF

Year Ended December 31, 2018

### SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

	2018
Measurement date	12/31/17
City's proportion of the net OPEB liability (asset)	0.106685%
City's proportionate share of the net OPEB liability (asset)	\$ 320,970
City's covered payroll during the measurement period	\$ 4,486,409
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.15%
Plan fiduciary net position as a percentage of the total OPEB liability	44.81%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2018
Contractually required contribution for the fiscal period	\$ 2,025
Contributions in relation to the contractually required contribution	<u>(2,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered payroll for the fiscal period	\$ 4,456,279
Contributions as a percentage of covered payroll	0.05%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

#### Notes to the Schedules:

*Changes of benefit terms:* There were no changes of benefit terms for any participating employer in LRLIF.

*Changes of assumptions:* There were no changes in the assumptions.

See Independent Auditor's Report.

**City of Sturgeon Bay, Wisconsin**  
**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**  
Year Ended December 31, 2018

	2018
Measurement date	12/31/2018
Total OPEB Liability	
Service cost	\$ 98,373
Interest	63,855
Effect of economic/demographic gains or losses	(272,728)
Effect of assumptions changes or inputs	(41,807)
Net change in total OPEB liability	(152,307)
Total OPEB liability - Beginning	1,547,375
Total OPEB liability - Ending	\$ 1,395,068
Covered-employee payroll	\$ 2,061,618
Total OPEB liability as a percentage of covered-employee payroll	67.67 %

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**Notes to Schedule:**

*Benefit changes:* There were no changes of benefit terms.

*Changes of assumptions:* There were no changes in assumptions.

See Independent Auditor's Report.

**City of Sturgeon Bay, Wisconsin**  
**Notes to Required Supplementary Information**  
Year Ended December 31, 2018

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**Note 1: Budgetary Information**

The City's budget is adopted in accordance with state law. Budget amounts in the budgetary comparison schedule include appropriations authorized in the original budget resolution and subsequent revisions authorized by the City. Budgets are formally adopted for all funds. Reported budget amounts represent the originally adopted budget as amended. Amendments to the originally adopted budget require a two-thirds vote by the City Council.

Unexpended budgeted amounts lapse at the end of the year. Spending control for the General Fund is established by the amount of expenditures budgeted for major departments within the funds, but management control is exercised at budgetary line item levels.

## **Supplementary Financial Information**

# City of Sturgeon Bay, Wisconsin

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2018

	Revolving Loan	Cable TV	TID No. 1	TID No. 2	TID No. 3	TID No. 4	Total Nonmajor Governmental Funds
<b>Assets:</b>							
Cash	\$ 654,617	\$ 134,168	\$ -	\$ -	\$ -	\$ -	\$ 788,785
Investments	85,283	-	855,825	2,076,122	857,484	1,573,999	5,448,713
Receivables							
Taxes	-	-	799,214	1,284,377	45,199	105,843	2,234,633
Loans	146,124	-	-	-	-	-	146,124
Due from other funds	-	-	217,543	-	-	-	217,543
Total assets	<u>\$ 886,024</u>	<u>\$ 134,168</u>	<u>\$ 1,872,582</u>	<u>\$ 3,360,499</u>	<u>\$ 902,683</u>	<u>\$ 1,679,842</u>	<u>\$ 8,835,798</u>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,039	\$ 5,039
Due to other funds	10,527	-	-	887,525	113,477	404,006	1,415,535
Total liabilities	<u>10,527</u>	<u>-</u>	<u>-</u>	<u>887,525</u>	<u>113,477</u>	<u>409,045</u>	<u>1,420,574</u>
<b>Deferred inflows of resources:</b>							
Property taxes	-	-	799,214	1,284,377	45,199	105,843	2,234,633
Loans receivable	146,124	-	-	-	-	-	146,124
Total deferred inflows of resources	<u>146,124</u>	<u>-</u>	<u>799,214</u>	<u>1,284,377</u>	<u>45,199</u>	<u>105,843</u>	<u>2,380,757</u>
<b>Fund balances:</b>							
Restricted	729,373	-	1,073,368	1,188,597	744,007	1,164,954	4,900,299
Assigned	-	134,168	-	-	-	-	134,168
Total fund balances	<u>729,373</u>	<u>134,168</u>	<u>1,073,368</u>	<u>1,188,597</u>	<u>744,007</u>	<u>1,164,954</u>	<u>5,034,467</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 886,024</u>	<u>\$ 134,168</u>	<u>\$ 1,872,582</u>	<u>\$ 3,360,499</u>	<u>\$ 902,683</u>	<u>\$ 1,679,842</u>	<u>\$ 8,835,798</u>

# City of Sturgeon Bay, Wisconsin

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Nonmajor Governmental Funds

For the Year Ended December 31, 2018

	Revolving Loan	Cable TV	TID No. 1	TID No. 2	TID No. 3	TID No. 4	Total Nonmajor Governmental Funds
Revenues:							
Taxes	\$ -	\$ -	\$ 778,596	\$ 1,269,544	\$ 59,194	\$ 46,446	\$ 2,153,780
Intergovernmental	-	-	27,408	4,989	-	7	32,404
Licenses and permits	-	147,978	-	-	-	-	147,978
Miscellaneous	70,181	21	14,649	39,847	17,882	29,844	172,424
Total revenues	70,181	147,999	820,653	1,314,380	77,076	76,297	2,506,586
Expenditures:							
Current:							
Conservation and development	-	72,431	-	686	1,499	427,904	502,520
Debt service:							
Principal	-	-	-	1,087,771	100,000	-	1,187,771
Interest	-	-	-	390,814	52,488	66,775	510,077
Capital outlay	-	25,081	-	-	-	-	25,081
Total expenditures	-	97,512	-	1,479,271	153,987	494,679	2,225,449
Excess of revenues over (under) expenditures	70,181	50,487	820,653	(164,891)	(76,911)	(418,382)	281,137
Other Financing Uses							
Sale of capital assets	-	90	-	-	15,000	-	15,090
Transfers out	(10,527)	(153,936)	-	-	-	-	(164,463)
Total other financing uses	(10,527)	(153,846)	-	-	15,000	-	(149,373)
Net Change in Fund Balances	59,654	(103,359)	820,653	(164,891)	(61,911)	(418,382)	131,764
Fund Balances - Beginning	669,719	237,527	252,715	1,353,488	805,918	1,583,336	4,902,703
Fund Balances - Ending	\$ 729,373	\$ 134,168	\$ 1,073,368	\$ 1,188,597	\$ 744,007	\$ 1,164,954	\$ 5,034,467

**Sturgeon Bay Utilities**  
City of Sturgeon Bay, Wisconsin

**Financial Statements**  
Year Ended December 31, 2018

**Sturgeon Bay Utilities**  
**Financial Statements and Supplementary Information**  
Year Ended December 31, 2018

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## **Independent Auditor's Report**

To the Board of Commissioners  
Sturgeon Bay Utilities  
Sturgeon Bay, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund of the Sturgeon Bay Utilities of the City of Sturgeon Bay, Wisconsin (the "Utilities"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Utilities' 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; 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 each major fund of the Utilities as of December 31, 2018, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.



### **Prior Period Restatement**

As discussed in Note 13, the amounts owed for tax equivalent transfers were understated on the prior year financial statements.

### **Emphasis of Matter**

As described in Note 1, the financial statements present only the Sturgeon Bay Utilities of the City of Sturgeon Bay, Wisconsin, and do not purport to, and do not present fairly the financial position of the City of Sturgeon Bay, Wisconsin, as of December 31, 2018 and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters - Required Supplementary Information**

Accounting principles generally accepted in the United States require that the schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System on page 27 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

### **Prior-Year Comparative Information**

Other auditors previously audited the Utilities' December 31, 2017 financial statements, and their report dated May 24, 2018, expressed unmodified opinions on those respective financial statements of each major fund of the Utilities. The 2017 summarized comparative information was derived from the 2017 financial statements audited by the prior auditor.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
May 2, 2019  
Madison, Wisconsin

# Sturgeon Bay Utilities

## City of Sturgeon Bay, Wisconsin

### Statement of Net Position

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Totals	
				2018	2017
<b>Assets:</b>					
Current assets:					
Cash	\$ -	\$ -	\$ 1,621,352	\$ 1,621,352	\$ 1,787,900
Investments	3,021,695	943,577	2,454,891	6,420,163	6,402,659
Receivables					
Accounts	185,687	257,188	1,540,606	1,983,481	1,706,870
Other	59,338	1,144	239,580	300,062	122,676
Due from other funds	83,387	333,048	-	416,435	285,368
Inventory	8,439	108,902	520,873	638,214	649,648
Prepaid items	-	-	21,206	21,206	21,196
Total current assets	3,358,546	1,643,859	6,398,508	11,400,913	10,976,317
Noncurrent assets:					
Restricted assets:					
Investments	525,126	-	-	525,126	522,358
Investment in American					
Transmission Company	-	-	2,350,846	2,350,846	2,198,948
Net pension asset	26,149	26,267	230,560	282,976	-
Land held for resale	-	42,000	-	42,000	42,000
Capital assets, nondepreciable	133,532	171,108	253,622	558,262	1,071,558
Capital assets, depreciable	9,891,811	13,670,045	23,446,982	47,008,838	45,062,567
Total capital assets, net of accumulated depreciation	10,025,343	13,841,153	23,700,604	47,567,100	46,134,125
Total noncurrent assets	10,576,618	13,909,420	26,282,010	50,768,048	48,897,431
Total assets	13,935,164	15,553,279	32,680,518	62,168,961	59,873,748
Deferred outflows of resources:					
Deferred outflows related to pensions	47,592	47,807	419,631	515,030	581,070
Total assets and deferred outflows of resources	\$ 13,982,756	\$ 15,601,086	\$ 33,100,149	\$ 62,683,991	\$ 60,454,818

See accompanying notes to the financial statements.

# Sturgeon Bay Utilities

## City of Sturgeon Bay, Wisconsin

### Statement of Net Position - Continued

December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Totals	
				2018	2017
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 131,434	\$ 51,670	\$ 1,229,575	\$ 1,412,679	\$ 1,541,298
Due to other funds	97,062	374,379	829,411	1,300,852	1,170,823
Customer deposits	-	-	161,479	161,479	141,655
Current portion of long-term debt	-	-	8,192	8,192	8,192
Total current liabilities	228,496	426,049	2,228,657	2,883,202	2,861,968
Noncurrent liabilities:					
General obligation debt	-	-	30,721	30,721	38,914
Compensated absences	52,536	51,277	293,131	396,944	366,985
Net pension liability	-	-	-	-	74,715
Total noncurrent liabilities	52,536	51,277	323,852	427,665	480,614
Total liabilities	281,032	477,326	2,552,509	3,310,867	3,342,582
<b>Deferred inflows of resources:</b>					
Related to pensions	51,663	51,896	455,529	559,088	236,436
<b>Total liabilities and deferred inflows of resources</b>	<b>332,695</b>	<b>529,222</b>	<b>3,008,038</b>	<b>3,869,955</b>	<b>3,579,018</b>
<b>Net position:</b>					
Net investment in capital assets	10,025,343	13,841,153	23,661,691	47,528,187	46,087,019
Restricted	525,126	-	-	525,126	522,358
Unrestricted	3,099,592	1,230,711	6,430,420	10,760,723	10,266,423
Total net position	13,650,061	15,071,864	30,092,111	58,814,036	56,875,800
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 13,982,756</b>	<b>\$ 15,601,086</b>	<b>\$ 33,100,149</b>	<b>\$ 62,683,991</b>	<b>\$ 60,454,818</b>

See accompanying notes to the financial statements.

# Sturgeon Bay Utilities

## City of Sturgeon Bay, Wisconsin

### Statement of Revenues, Expenses and Changes in Net Position

#### Proprietary Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Totals	
				2018	2017
Operating revenues:					
Charges for services	\$ 2,205,090	\$ 2,209,852	\$ 14,897,540	\$ 19,312,482	\$ 19,741,842
Other operating revenues	27,773	109,984	364,145	501,902	605,474
Total operating revenues	2,232,863	2,319,836	15,261,685	19,814,384	20,347,316
Operating expenses:					
Operation and maintenance	1,414,007	1,194,236	12,616,720	15,224,963	16,143,990
Depreciation	434,807	573,713	1,441,462	2,449,982	2,124,541
Total operating expenses	1,848,814	1,767,949	14,058,182	17,674,945	18,268,531
Operating income	384,049	551,887	1,203,503	2,139,439	2,078,785
Nonoperating revenues (expenses):					
Interest income	41,237	12,748	238,605	292,590	208,077
Interest expense	-	-	(2,376)	(2,376)	(109)
Other	360	819	44,543	45,722	19,552
Total nonoperating revenues (expenses)	41,597	13,567	280,772	335,936	227,520
Net income before transfers	425,646	565,454	1,484,275	2,475,375	2,306,305
Capital contributions	-	56,393	290,885	347,278	727,430
Transfers out	-	(374,379)	(510,038)	(884,417)	(876,505)
Change in net position	425,646	247,468	1,265,122	1,938,236	2,157,230
Net position - beginning, as restated	13,224,415	14,824,396	28,826,989	56,875,800	54,718,570
Net position - ending	\$ 13,650,061	\$ 15,071,864	\$ 30,092,111	\$ 58,814,036	\$ 56,875,800

See accompanying notes to the financial statements.

# Sturgeon Bay Utilities

## City of Sturgeon Bay, Wisconsin

### Statement of Cash Flows

#### Proprietary Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Totals	
				2018	2017
Cash flows from operating activities:					
Cash received from customers	\$ 2,164,951	\$ 2,300,063	\$ 14,915,197	\$ 19,380,211	\$ 20,414,831
Cash payments to suppliers	(1,241,738)	(977,330)	(12,009,354)	(14,228,422)	(15,042,938)
Cash payments to employees	(211,143)	(204,630)	(637,003)	(1,052,776)	(921,364)
Net cash provided by operating activities	712,070	1,118,103	2,268,840	4,099,013	4,450,529
Cash flows from noncapital financing activities:					
Other nonoperating revenue	360	819	44,543	45,722	19,552
Due to/from other funds	(254,686)	193,243	60,405	(1,038)	-
Transfer out	-	(374,379)	(510,038)	(884,417)	(876,505)
Net cash (used) by noncapital financing activities	(254,326)	(180,317)	(405,090)	(839,733)	(856,953)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(471,998)	(997,617)	(2,413,342)	(3,882,957)	(3,828,332)
Sales of capital assets					54,493
Cost of removal of capital assets					(441,764)
Capital contributions	-	56,393	290,885	347,278	681,030
Principal payments on long-term debt	-	-	(8,193)	(8,193)	(8,192)
Interest payments on long-term debt	-	-	(2,376)	(2,376)	(109)
Net cash (used) by capital and related financing activities	(471,998)	(941,224)	(2,133,026)	(3,546,248)	(3,542,874)
Cash flows from investing activities:					
Purchase of investments	(26,983)	(9,310)	(135,877)	(172,170)	(160,507)
Interest income received	41,237	12,748	238,605	292,590	208,077
Net cash provided by investing activities	14,254	3,438	102,728	120,420	47,570
Change in cash and cash equivalents	-	-	(166,548)	(166,548)	98,272
Cash and cash equivalents - beginning	-	-	1,787,900	1,787,900	1,689,628
Cash and cash equivalents - ending	\$ -	\$ -	\$ 1,621,352	\$ 1,621,352	\$ 1,787,900

See accompanying notes to the financial statements.

# Sturgeon Bay Utilities

## City of Sturgeon Bay, Wisconsin

Statement of Cash Flows - Continued

Proprietary Funds

For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Totals	
				2018	2017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income	\$ 384,049	\$ 551,887	\$ 1,203,503	\$ 2,139,439	\$ 2,078,785
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	434,807	573,713	1,441,462	2,449,982	2,236,205
Change in pension related assets, deferred outflows, liabilities and deferred inflows	3,500	3,703	23,798	31,001	65,722
Changes in assets and liabilities					
Receivables	(67,912)	(19,773)	(366,312)	(453,997)	62,647
Inventory	(584)	(2,703)	14,721	11,434	39,066
Prepaid items	-	-	(10)	(10)	-
Accounts payable	(44,689)	9,566	(93,496)	(128,619)	(36,684)
Customer deposits	-	-	19,824	19,824	4,868
Compensated absences	2,899	1,710	25,350	29,959	(80)
Net cash provided (used) by operating activities	712,070	1,118,103	2,268,840	4,099,013	4,450,529

See accompanying notes to the financial statements.

# **Sturgeon Bay Utilities**

## **Notes to Basic Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies**

#### **Introduction**

The financial statements of the Sturgeon Bay Utilities of the City of Sturgeon Bay, Wisconsin (the "Utilities") have been prepared to conform to accounting principles generally accepted in the United States as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the Utilities.

#### **The Financial Reporting Entity**

The Utilities are enterprise funds of the City of Sturgeon Bay, Wisconsin. In accordance with GAAP, the financial statements are required to include the Utilities and any separate component units that have a significant operational or financial relationship with the Utilities. The Utilities has not identified any component units that are required to be included in the financial statements.

The accounts of the Utilities are accounted for in an enterprise fund as required by GAAP. Enterprise funds are used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The accompanying financial statements do not purport to, and do not, present the financial position, changes in financial position and cash flows, where applicable, of the City of Sturgeon Bay, Wisconsin as a whole.

The Utilities reports the following major funds:

Sewer Utility – The Sewer Utility accounts for the operations of the City's sanitary sewer system.

Water Utility – The Water Utility accounts for the operations of the City's water system.

Electric Utility – The Electric Utility accounts for the operations of the City's electric utility system.

#### **Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and

# **Sturgeon Bay Utilities**

## **Notes to Basic Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus and Basis of Accounting (Continued)**

service, 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 Utilities policy to use restricted resources first, then unrestricted resources, as they are needed.

#### **Cash and Investments**

For purposes of the statement of cash flows, the Utilities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments of individual funds are pooled unless maintained in segregated accounts and are carried at cost.

#### **Accounts Receivable**

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct writeoff method. An allowance of \$110,071 is recorded to account for amounts that may not be collected.

#### **Inventories and Prepaid Items**

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. Inventory items are expensed in the period used. Any materials and supplies on hand at year-end are valued at the lower of cost, determined on the first-in, first out (FIFO) method, or market.

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepayments. The cost of these services is recorded as expense when consumed rather than when purchased.

#### **Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Utilities maintains a threshold level of \$1,000 or more for capitalizing assets.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the Utilities, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 100 years for infrastructure, site improvements, and buildings and 5 to 10 years for equipment.

# **Sturgeon Bay Utilities**

## **Notes to Basic Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Capital Assets (Continued)**

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

#### **Restricted Cash and Investments**

Assets whose use is restricted by bond agreements, regulatory agencies, or enabling legislation are reported as restricted.

#### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Internal balances between funds of the governmental activities or funds of the business-type activities are eliminated in the government-wide financial statements.

#### **Investment in American Transmission Company (ATC)**

The Utilities is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The Utilities owns less than 1 percent of ATC. The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, the Utilities has the option to contribute additional funds to maintain its proportionate share of ownership. The investment in American Transmission Company LLC is recorded at cost since it is privately held and has no readily available fair market value. The Utilities' ownership share is valued at \$2,350,846 as of December 31, 2018, and is reported on the Statement of Net Position as an asset.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Customer Deposits

The balance represents amounts collected from customers which may be refundable based on rules filed with the Public Service Commission of Wisconsin (PSCW) or statutory requirements.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Utilities has one type of item that qualifies for reporting in this category, the deferred outflows related to pensions. The deferred outflows of resources related to pensions represent the Utilities' proportionate share of collective deferred outflows of resources related to pensions and Utilities' contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset) for the WRS plan.

In addition to liabilities, the statement of net position and/or balance sheet 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 Utilities has one type of items that qualifies for reporting in this category, deferred inflows of resources related to pensions for its proportionate share of the collective deferred inflows of resources related to pensions for the WRS plan.

#### Compensated Absences

It is the Utilities' policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee benefit policy. Employees are allowed to accumulate up to 125 days of sick leave. Upon retirement, disability or death, unused sick leave credits shall be paid out to the employee. Qualified retirement means the employee is entitled to retirement benefits from the Wisconsin Retirement System. The above credit would be reduced by the percentage reduction in retirement benefits if the employee elects early retirement. Vacation and sick leave is accrued when incurred in the Utilities' financial statements.

#### Pension Plan

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, 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.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Long-Term Obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed as incurred.

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance (adjusted for unspent proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

#### **Prior Year Information**

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Utilities' financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Utilities' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

### **Note 2: Cash and Investments**

#### Deposits

Deposits at each bank in the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing). Accounts at each institution outside the state of Wisconsin are insured by the FDIC up to \$250,000 for the combined total of all deposit accounts. In addition, the State of Wisconsin Public Depository Guarantee Fund guarantees the Utilities' deposits up to \$400,000 per public depository. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the Utilities' deposits may not be returned to it. The Utilities' does have a deposit policy for custodial credit risk. Funds may only be invested up to \$500,000 at any financial institution unless the excess is collateralized.

As of December 31, 2018, none of the Utilities' bank balance of \$1,675,172 was exposed to custodial credit risk.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 2: Cash and Investments (Continued)

#### Investments

Investment in Wisconsin Local Government Investment Pool: The Utilities has investments in the Wisconsin Local Government Investment Pool (LGIP) of \$2,559,751 at year-end. The 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, 2018, the fair value of the Utilities' share of the LGIP's assets was substantially equal to the carrying value. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in LGIP is not subject to the fair value hierarchy disclosures.

Fair Value Measurements: The Utilities categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Utilities has the following fair value measurements as of December 31, 2018:

Investment Type	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 930,389	\$ -	\$ 930,389	\$ -
Fannie Mae	120,304	-	120,304	-
Federal Farm Credit Banks Debenture	39,976	-	39,976	-
Federal Home Loans Banks Debenture	147,633	-	147,633	-
Federal Home Loan Mortgage	258,312	-	258,312	-
Federal National Mortgage Association	180,829	-	180,829	-
Freddie Mac	40,007	-	40,007	-
Government National Mortgage Association	95,287	-	95,287	-
Negotiable Certificates of Deposit	1,727,684	-	1,727,684	-
US Treasury Notes	845,117	-	845,117	-
<b>Total</b>	<b>\$ 4,385,538</b>	<b>\$ -</b>	<b>\$ 4,385,538</b>	<b>\$ -</b>

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 2: Cash and Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Utilities does have a deposit policy for custodial credit risk. No more than 50% of the total investments should extend beyond 5 years and in no circumstance should extend beyond 10 years with the exception of the Utilities' investment in American Transmission Company. Information about the sensitivity of the fair values of the Utilities' investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Utilities' investments by maturity:

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Corporate bonds	\$ 930,389	\$ 30,781	\$ 45,171	\$ 770,285	\$ 84,152
Fannie Mae	120,304	-	-	42,797	77,507
Federal Farm Credit Banks Debenture	39,976	-	-	39,976	-
Federal Home Loans Banks Debenture	147,633	-	-	147,633	-
Federal Home Loan Mortgage	258,312	-	140,339	98,656	19,317
Federal National Mortgage Association	180,829	-	-	120,878	59,951
Freddie Mac	40,007	-	-	-	40,007
Government National Mortgage Association	95,287	-	-	-	95,287
Negotiable Certificates of Deposit	1,727,684	985,131	742,553	-	-
US Treasury Notes	845,117	-	301,651	430,026	113,440
Wisconsin local government investment pool	2,559,751	2,559,751	-	-	-
<b>Total</b>	<b>\$ 6,945,289</b>	<b>\$ 3,575,663</b>	<b>\$ 1,229,714</b>	<b>\$ 1,650,251</b>	<b>\$ 489,661</b>

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 2: Cash and Investments (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 investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Total	Unrated	AAA	AA+	AA-	AA	A-	A
Corporate bonds	\$ 930,389	\$ 63,121	\$ 671,671	\$ 32,386	\$ 62,953	\$ 31,414	\$ 38,771	\$ 30,073
Fannie Mae	120,304	120,304	-	-	-	-	-	-
Federal Farm Credit Banks								
Debenture	39,976	-	-	39,976	-	-	-	-
Federal Home Loans Banks								
Debenture	147,633	-	-	147,633	-	-	-	-
Federal Home Loan								
Mortgage	258,312	94,478	-	163,834	-	-	-	-
Federal National Mortgage								
Association	180,829	21,004	-	159,825	-	-	-	-
Freddie Mac	40,007	40,007	-	-	-	-	-	-
Government National								
Mortgage Association	95,287	95,287	-	-	-	-	-	-
Negotiable Certificates of								
Deposit	1,727,684	1,727,684	-	-	-	-	-	-
US Treasury Notes	845,117	119,348	725,769	-	-	-	-	-
Wisconsin local government								
investment pool	2,559,751	2,559,751	-	-	-	-	-	-
<b>Total</b>	<b>\$6,945,289</b>	<b>\$4,840,984</b>	<b>\$1,397,440</b>	<b>\$543,654</b>	<b>\$62,953</b>	<b>\$31,414</b>	<b>\$38,771</b>	<b>\$30,073</b>

### Note 3: Restricted Investments

Mandatory segregations of assets are presented on the statement of net position as restricted cash and investments. Such segregations are required by bond agreements, regulatory agencies, or enabling legislation.

Restricted investments at December 31, 2018 totaled \$525,126 held for the replacement of wastewater treatment mechanical equipment as required by the Wisconsin Department of Natural Resources.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 4: Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables in the fund financial statements:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Water Utility	\$ 374,379
General Fund	Electric Utility	510,038
Sewer Utility	Electric Utility	83,387
Water Utility	Sewer Utility	97,062
Water Utility	Electric Utility	235,986
		<u>\$ 1,300,852</u>

The interfund balances from the Water Utility and Electric Utility to to the General Fund was related to tax equivalants to be paid in the subsequent year. The remaining amounts are to cover overdrafts of pooled cash accounts or budgeted transfers not made at year end. All amounts are expected to be repaid within the next fiscal year.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 5: Capital Assets

Capital asset balances and activity for the year ended December 31, 2018, were as follows:

	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated:				
Land	\$ 276,085	\$ -	\$ -	\$ 276,085
Construction in progress	795,473	282,178	795,474	282,177
<b>Total capital assets, not being depreciated</b>	<b>1,071,558</b>	<b>282,178</b>	<b>795,474</b>	<b>558,262</b>
Capital assets, being depreciated:				
Buildings and improvements	7,420,528	40,616	27,004	7,434,140
Machinery and equipment	11,292,443	746,326	91,587	11,947,182
Infrastructure	62,134,037	3,594,207	1,468,099	64,260,145
<b>Total capital assets, being depreciated</b>	<b>80,847,008</b>	<b>4,381,149</b>	<b>1,586,690</b>	<b>83,641,467</b>
Accumulated depreciation:				
Buildings and improvements	4,370,083	134,657	-	4,504,740
Machinery and equipment	6,867,999	521,302	97,888	7,291,413
Infrastructure	24,546,359	1,794,023	1,503,906	24,836,476
<b>Total accumulated depreciation</b>	<b>35,784,441</b>	<b>2,449,982</b>	<b>1,601,794</b>	<b>36,632,629</b>
<b>Total capital assets, being depreciated, net</b>	<b>45,062,567</b>	<b>1,931,167</b>	<b>(15,104)</b>	<b>47,008,838</b>
<b>Capital assets, net</b>	<b>\$ 46,134,125</b>	<b>\$ 2,213,345</b>	<b>\$ 780,370</b>	<b>\$ 47,567,100</b>

Depreciation was charged to business-type activities as follows:

Sewer utility	\$ 434,807
Water utility	573,713
Electric utility	1,441,462
<b>Total depreciation expense, business-type activities</b>	<b>\$ 2,449,982</b>

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 6: Long-Term Obligations

The following is a summary of changes in long-term obligations of the Utilities for the year ended December 31, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
General obligation debt					
Notes	\$ 47,106	\$ -	\$ 8,193	\$ 38,913	\$ 8,192
Compensated absences	366,985	29,959	-	396,944	-
<b>Total Long-term obligations</b>	<b>\$ 414,091</b>	<b>\$ 29,959</b>	<b>\$ 8,193</b>	<b>\$ 435,857</b>	<b>\$ 8,192</b>

#### Note Payable

During 2013, the Utilities issued a non-interest bearing note payable to WPPI Energy in the amount of \$163,847, which was divided equally between the City of Sturgeon Bay and the Utilities. The note payable matures on September 28, 2023. The note payable partially financed an athletic field lighting project located within the City of Sturgeon Bay. The Sturgeon Bay Utilities retains ownership of the capital assets.

Annual principal maturities of the note payable are below:

Year Ended December 31, 2018	Principal
2019	\$ 8,192
2020	8,192
2021	8,192
2022	8,192
2023	6,145
<b>Total</b>	<b>\$ 38,913</b>

### Note 7: Interfund Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
General Fund	Water Utility	\$ 374,379	Tax equivalent payment
General Fund	Electric Utility	510,038	Tax equivalent payment
		<u>\$ 884,417</u>	

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

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### Note 8: Net Position

Net position reported on the government-wide statement of net position at December 31, 2018, includes the following:

Net investment in capital assets:

Land	\$ 276,084
Construction in progress	282,178
Other capital assets, net of accumulated depreciation	47,008,838
Less: Related long-term debt outstanding (net of unspent proceeds of debt)	<u>(38,913)</u>

Total net investment in capital assets	47,528,187
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Restricted for:

Plant replacement	525,126
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Unrestricted	<u>10,760,723</u>
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Total net position	<u>\$ 58,814,036</u>
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### Note 9: Employee Retirement Plans - Wisconsin Retirement System

**Plan Description:** The Wisconsin Retirement System (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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>.

**Vesting:** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits Provided:** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest years' annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 9: Employee Retirement Plans - Wisconsin Retirement System (Continued)

as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**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
2008	6.6 %	- %
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0

**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. Starting on January 1, 2006, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 9: Employee Retirement Plans - Wisconsin Retirement System (Continued)

During the reporting period ended December 31, 2017, the WRS recognized \$99,638 in contributions from the employer.

Contribution rates as of December 31, 2018, are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.8 %	6.8 %
Protective with social security	6.8	10.6
Protective without social security	6.8	14.9

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At December 31, 2018, the Utilities reported an asset of \$282,976 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the Utilities' proportion was 0.00953062%, which was an increase of 0.00046592% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Utilities recognized pension expense of \$206,350.

At December 31, 2018, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 354,100	\$ (168,174)
Change in assumptions	55,910	-
Net differences between projected and actual earnings on pension plan investments		(388,923)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,845	(1,991)
Employer contributions subsequent to the measurement date	103,175	-
<b>Total</b>	<b>\$ 515,030</b>	<b>\$ (559,088)</b>

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 9: Employee Retirement Plans - Wisconsin Retirement System (Continued)

The amount of \$103,175 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 25,765
2020	(2,435)
2021	(97,588)
2022	(73,652)
2023	677

**Actuarial Assumptions:** The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2017
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% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based on an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017, is based on a roll-forward of the liability calculated from the December 31, 2016, 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.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 9: Employee Retirement Plans - Wisconsin Retirement System (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Asset Allocation Targets and Expected Returns**  
As of December 31, 2017

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	50.0 %	8.2 %	5.3 %
Fixed income	24.5 %	4.2 %	1.4 %
Inflation sensitive assets	15.5 %	3.8 %	1.0 %
Real estate	8.0 %	6.5 %	3.6 %
Private equity/debt	8.0 %	9.4 %	6.5 %
Multi-asset	4.0 %	6.5 %	3.6 %
Total core fund	110.0 %	7.3 %	4.4 %
<u>Variable Fund Asset Class</u>			
U.S. equities	70.0 %	7.5 %	4.6 %
International equities	30.0 %	7.8 %	4.9 %
Total variable fund	100.0 %	7.9 %	5.0 %

*New England Consultants Long-Term US CPI (Inflation) Forecast: 2.75%*

*Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.*

**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 3.31%. 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.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

### Note 9: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:** The following presents the Utilities' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.20 percent) or 1 percentage point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WRS employer's proportionate share of the net pension liability (asset)	\$ 732,154	\$ (282,976)	\$ (1,054,505)

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

**Payables to the Pension Plan:** At December 31, 2018, the Utilities reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

### Note 10: Risk Management

The Utilities is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For all risks of loss other than for employee health and dental care, the Utilities' policy is to purchase commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 11: Contingent Liabilities

From time to time, the Utilities is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the Utilities' legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Utilities' financial position or results of operations.

# Sturgeon Bay Utilities

## Notes to Basic Financial Statements

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### Note 12: WPPI Energy

The Utilities' purchases all of its electric requirements from WPPI Energy. WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act Sec. 66.073 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

Members of WPPI are located throughout the State of Wisconsin, Michigan and Iowa. On December 1, 1989, each of WPPI's members, including the Utilities, commenced purchasing electric service from WPPI under a Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. In 2015, most WPPI members ratified an extension to their contracts. The current contract expires December 31, 2055.

Under the Long-term Contract, the Utilities and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirements which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. The Utilities have agreed to charge rates to the retail ratepayers sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the Utilities payable from any operating and maintenance fund established by the Utilities for that system.

### Note 13: Prior Year Restatement

The amounts owed for tax equivalent transfers were understated on the prior year financial statements.

	Water Utility	Electric Utility
Amount as previously reported	\$ 14,887,642	\$ 29,009,365
Adjustment	(63,246)	(182,376)
Total as restated	\$ 14,824,396	\$ 28,826,989

In addition, certain amounts in the December 31, 2017 financial statements have been reclassified to conform to the classifications used in the December 31, 2018 financial statements. These reclassifications have no effect on the previously reported increase in net position.

## **Required Supplementary Information**

# Sturgeon Bay Utilities

## Schedules of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Year Ended December 31, 2018 (And Prior Three Fiscal Years)

### SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM (WRS)

	2015	2016	2017	2018
Measurement date	12/31/14	12/31/15	12/31/16	12/31/17
Utilities' proportion of the net pension liability (asset)	0.00948970%	0.00796730%	0.00906470%	0.00953062%
Utilities' proportionate share of the net pension liability (asset)	\$ (223,094)	\$ 129,467	\$ 74,715	\$ (282,976)
Utilities' covered payroll during the measurement period	\$ 1,339,627	\$ 1,345,100	\$ 1,385,296	\$ 1,465,274
Utilities' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(16.65)%	9.63%	5.39%	(19.31)%
Plan fiduciary net position as a percentage of the total pension liability	102.93%	98.20%	99.12%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

	2015	2016	2017	2018
Contractually required contribution for the fiscal period	\$ 91,467	\$ 91,467	\$ 99,638	\$ 103,175
Contributions in relation to the contractually required contribution	(91,467)	(91,467)	(99,638)	(103,175)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Utilities' covered payroll for the fiscal period	\$ 1,345,100	\$ 1,385,296	\$ 1,465,274	\$ 1,539,925
Contributions as a percentage of covered payroll	6.80%	6.60%	6.80%	6.70%

#### Notes to the Schedules:

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

*Changes of assumptions:* There were no changes in the assumptions.

## EXECUTIVE SUMMARY

**Title:** Offer to Purchase Lot 8, Block 11 of Sunset Hill #2 Subdivision

**Background:** Sunset Hill #2 is the residential subdivision that was created within Tax Increment District #3 for the redevelopment of the former Wiretech Fabricators site. The City purchased the Wiretech site and redeveloped it into workforce housing. Seventeen lots were created in Sunset Hill #2. There are 14 single-family homes built and one under construction by Door County Habitat for Humanity, which also owns another lot. The remaining lot is still owned by the City and is located at the northwest corner of Erie Street and N. 16<sup>th</sup> Court (Lot 8, Block 11).

The City set a price of \$14,000 for the lot and, in addition, offers \$5,000 in down-payment assistance to help with a mortgage. The \$5,000 is a forgivable loan. \$1,000 of the amount is forgiven for each year that the homeowner remains in the house.

Recently, the City received two written offers to purchase the lot and build a home. The Finance Committee passed a recommendation to sell the lot with various restrictions to Barbara May, who was the first person to submit an offer. However, prior to the Council acting upon the recommendation, Ms. May backed out of her offer. She has decided to buy an existing home in Sturgeon Bay rather than build new.

The other written request was received from Victoria L. Cerinich. She would still like to purchase the lot and build. Habitat for Humanity also requested the lot, but they would not build until 2021.

**Options:** The City can accept any offer or negotiate with any of the parties. It also could decide to hold onto this lot for time being.

**Fiscal Impact:** If the City sells the lot using the current approved parameters of \$14,000 with \$5,000 down-payment assistance, it would net \$9,000 - \$14,000 in revenue depending upon whether any of the \$5,000 get repaid. The subject lot is within Tax Increment District #3. Therefore, the proceeds from the sale and the property tax revenue would go toward paying off the TID #3 expenses. The lots in Sunset Hill #2 typically have an assessed value in the \$140,000 to \$170,000 range (a little less for the DCHfH homes). This would generate about \$3,375 in total tax revenue for the TID, of which about \$1,375 would be the City portion.

Getting a home built quickly is probably the most important fiscal impact factor for the City due to getting the tax revenue started as soon as possible. The value of the future home also impacts the net revenue. The sale price has a short-term impact.


**Recommendation:** Staff believes the subject lot should be developed as soon as practical. DCHfH wouldn't construct on the lot for over a year. The offer from Ms. Cerinich anticipates breaking ground by July 2020.

Like the previous recommendation, any sale should have conditions to ensure the new house fits the character of the neighborhood and that construction starts within a certain time period. A buy-back clause would be included giving the City the option of taking the lot back if the conditions are not met. Possibly the same conditions as used in the May recommendation could be used again, except perhaps allowing more time for starting construction due to Ms. Cerinich's timetable.

Therefore, staff recommends selling Lot 8, Block 11 in the Sunset Hill #2 Subdivision to Victoria L. Cerinich in the amount of \$14,000, with the \$5,000 down payment assistance, and including the following conditions:

- The building layout must be similar to that of other homes in the Sunset Hills #2 Subdivision.
- There must be a two-car garage either attached or detached.
- The driveway must be paved.
- The assessed value of the building must be a minimum of \$135,000 after development.
- Building plans for the proposed dwelling must be submitted to the City by December 1, 2019.
- Construction must commence by July 1, 2020 and be completed by December 31, 2020.
- The City at its option may repurchase the lot at the original sale price of \$14,000 if the conditions are not met.

Prepared by:

  
Martin Olejniczak  
Community Development Director

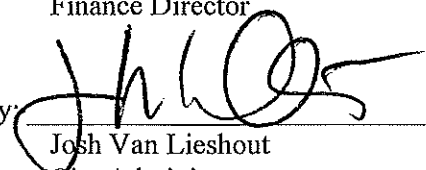
2/12/19  
Date

Reviewed by:

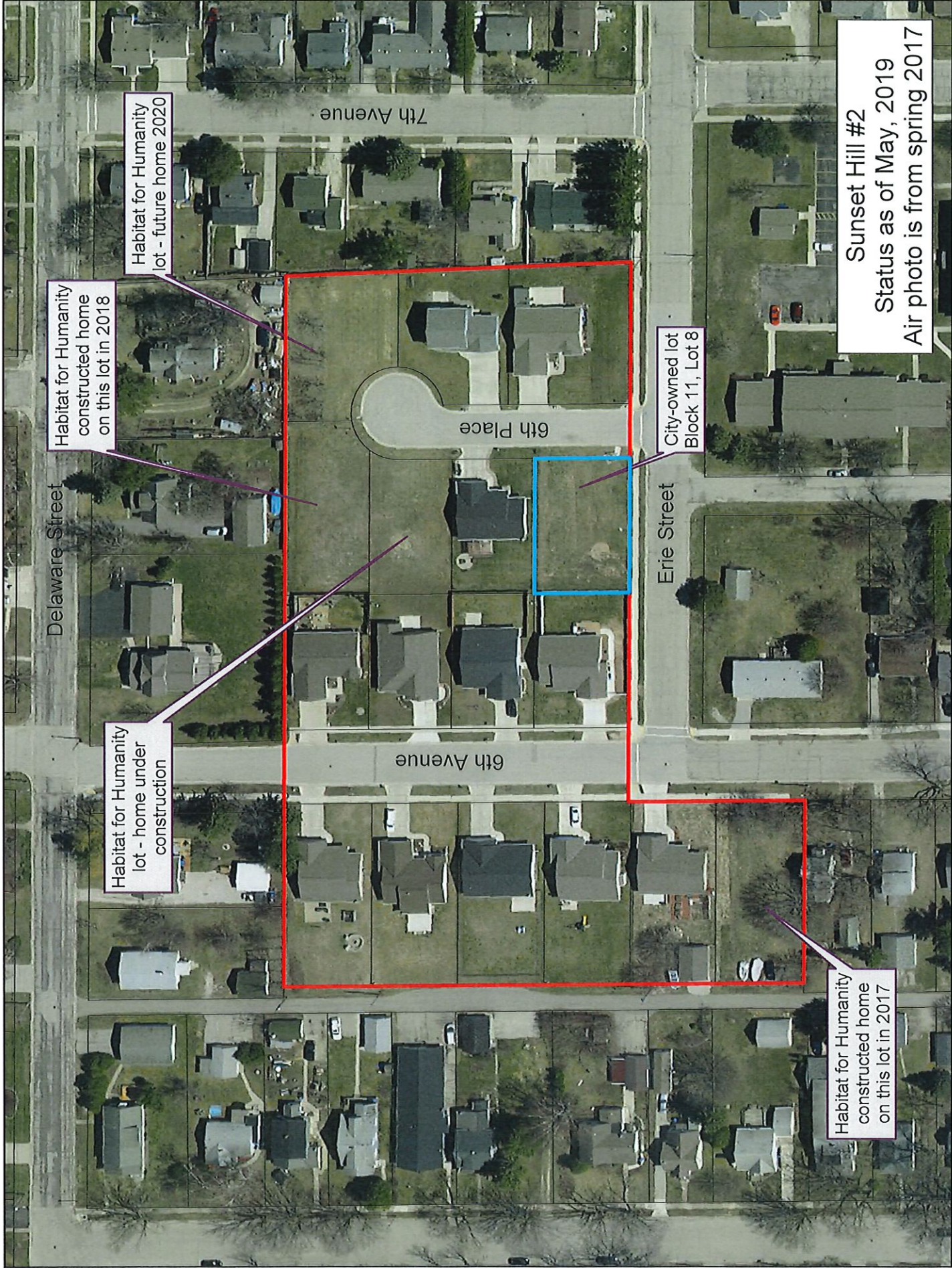
\_\_\_\_\_  
Val Clarizio  
Finance Director

\_\_\_\_\_  
Date

Reviewed by:

  
Josh Van Lieshout  
City Administrator

6/19/19  
Date



Sunset Hill #2  
Status as of May, 2019  
Air photo is from spring 2017

Habitat for Humanity  
constructed home  
on this lot in 2018

Habitat for Humanity  
lot - home under  
construction

Habitat for Humanity  
lot - future home 2020

City-owned lot  
Block 11, Lot 8

Habitat for Humanity  
constructed home  
on this lot in 2017

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Victoria L Cerinich  
1315 Ashbury Cir  
Lemont, IL  
60439-8433  
920-559-7337  
[vlcerinich@gmail.com](mailto:vlcerinich@gmail.com)

May 19, 2019  
Marty Olejniczak, AICP  
Community Development Director  
City of Sturgeon Bay  
421 Michigan Street  
Sturgeon Bay, WI. 54235

Re: Parcel # 2814694110800

Dear Director Olejniczak,

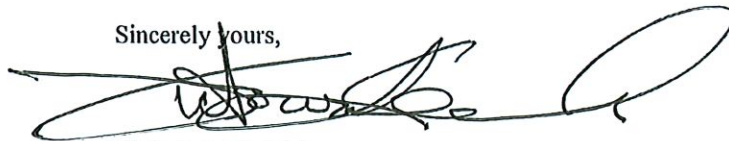
After a four year absence, I am returning to the Sturgeon Bay Area. Although, my husband and I enjoyed our home in Sevastopol, I decided that the City is the place for my future.

Architect Virge Temme suggested that I look at the remaining parcels on the land previously occupied by Wiretech. This could be the best choice for me, if I can secure an architect who will design a sustainable and ADA accessible home.

I met with Chris Sullivan-Robinson, City Planning/Zoning Administrator and discussed the details. Administrator Sullivan-Robinson confirmed that the City is selling the last Wiretech lot. With the expectation that a home is built within a reasonable time period, I have until July 2020 to break ground. With that schedule in mind, Virge Temme agreed to design the home and begin construction within the City parameters.

Therefore, I apply to purchase this parcel for the amount of \$15,000. Please advise me on the next steps.

Sincerely yours,



Victoria L Cerinich

6  
Martin Olejniczak, AICP  
Community Development Director  
421 Michigan Street  
Sturgeon Bay, WI 54235



6  
Phone: 920-746-2910  
Fax: 920-746-2905  
E-mail: molejniczak@sturgeonbaywi.org  
Website: www.sturgeonbaywi.org

## MEMO

To: Finance Committee  
From: Marty Olejniczak, Community Development Director *MO*  
Date: June 19, 2019  
Subject: Joint City-County Revolving Loan Fund

Both the City and County separately operates Revolving Loan Funds (RLF) that are used to stimulate economic development via new or expanded business ventures. These funds were originally supplied through the state using federal Community Development Block Grants (CDBG) and there are several federal requirements and restrictions tied to the use of the funds. The State of Wisconsin and the federal Department of Housing and Urban Development determined that various RLF's throughout the state were not being used properly. Hence, the state Department of Administration has instituted a program known as CDBG-CLOSE whereby all of the RLF's that are still considered federal funds must be returned to the state. The state will then temporarily hold those funds and return them back to the local governments in the form of grants for CDBG qualifying projects.

The City of Sturgeon Bay's RLF was determined to be defederalized. Thus, the City doesn't have to return its funds and can continue to operate an RLF without the federal restrictions or even use the funds for other governmental purposes. The Door County RLF, however, is still federalized so its funds must be returned and CDBG project(s) must be devised and approved in order to get the funds returned.

The County would like to continue to have use of an RLF program due to its benefits. A proposal has been devised whereby the City's defederalized fund would become a countywide RLF. In exchange for the , the County would ensure that a portion of the CDBG funds for a qualifying project in the City. In addition, it would attempt to increase the funds in the RLF by having one or more its CDBG projects be a loan with repayments being directed into the RLF.

A flow chart of this proposal was developed by Ken Pabich, County Administrator, and is included in the agenda packet. The specifics of the proposal will be explained in greater detail. The County's Finance Committee was also briefed about this idea. Assuming both the City and County feel there is merit, the joint City-County RLF will be fleshed out in greater detail so that formal action can be taken at a later date.

## Federal RLF Program Closeout Proposal

### Current Status of RLF Program

#### City of Sturgeon Bay RLF

DC Fire	\$140,501
Cash	\$736,079

#### County of Door RLF

Wild Tomato	\$61,816
Jim Olson	\$56,350
Chop	\$91,393
Glide	\$12,847
Cash	\$1,207,312

Total	\$876,580	\$1,429,718
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### Conversion of Funds



City program dollars are defederalized. Funds used to Create City/County Loan Program.  
Program buys County Loans

County program dollars are federalized and must meet CDBG guidelines.  
County Returns full 1.4M to State



#### City/County Defederalized Loan Program\*

DC Fire	\$140,501
Wild Tomato	\$61,816
Jim Olson	\$56,350
Chop	\$91,393
Glide	\$12,847
Cash	\$513,673
<b>Total</b>	<b>\$876,580</b>

#### County CDBG Applications \*

City Qualifying Project	\$500,000
County Qualifying Projects which can still include City	\$926,718



Until County can match loan funds, restrictions would be in place for loans outside of the City.

One or multiple qualifying projects are funded as a loan.

\$875,000 of County defederalized dollars are placed into loan program.

Funds that are paid back are defederalized.



Approximately \$550,000 plus interests is now available to the County. Possibly for Housing Trust / Development.

DATE: 06/20/2019  
TIME: 11:59:31  
ID: AP443000.CST

CITY OF STURGEON BAY  
DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
GENERAL FUND				
GENERAL FUND				
LIABILITIES				
LILY BAY	LILY BAY SAND & GRAVEL LLC	REF PERMIT 50-015-18 LILY BAY	01-000-000-23160	220.00
LILY BAY		RFND PERMIT 50-018-18 LILY BAY	01-000-000-23160	200.00
R0001577	SCOTT DE NOBLE & SONS CONST.	RFND PERMIT 50-028-18 DE NOBLE	01-000-000-23160	1,300.00
R0001577		RFND PERMIT 50-030-18 DENOBLE	01-000-000-23160	3,440.00
TOTAL LIABILITIES				5,160.00
TOTAL GENERAL FUND				5,160.00
CITY COUNCIL				
03133	CELLCOM WISCONSIN RSA 10	05/19 3 ALDERS CELLPHONE SVC	01-105-000-58999	115.37
TOTAL				115.37
TOTAL CITY COUNCIL				115.37
CITY CLERK-TREASURER				
03330	VALERIE CLARIZIO	MILEAGE/MEAL/BAG CHECK/CLARIZI	01-115-000-55600	116.78
TOTAL				116.78
TOTAL CITY CLERK-TREASURER				116.78
ADMINISTRATION				
17700	QUILL CORPORATION	BOX 100 NAME BADGE HOLDERS	01-120-000-51950	46.49
17700		HAMMER/PLAQUES ASSEMBLY	01-120-000-51950	11.49
BUBRICKS	BUBRICK'S COMPLETE OFFICE, INC	1 POST IT FLAGS	01-120-000-51950	6.14
BUBRICKS		4 3" BINDERS	01-120-000-51950	60.00
TOTAL				124.12
TOTAL ADMINISTRATION				124.12
COMPUTER				
03101	CDW GOVERNMENT, INC.	COMPUTER TOWER/COYHIS	01-125-000-55550	615.00
TOTAL				615.00
TOTAL COMPUTER				615.00
CITY ASSESSOR				
ASSO APP	ASSOCIATED APPRAISAL	07.02.19 CONTRACT	01-130-000-55010	1,333.33
TOTAL				1,333.33
TOTAL CITY ASSESSOR				1,333.33

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CITY OF STURGEON BAY  
DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
-----				
GENERAL FUND				
MUNICIPAL SERVICES ADMIN.				
03133	CELLCOM WISCONSIN RSA 10	05/19 CHAD CELL SVC	01-145-000-58250	24.79
TOTAL				24.79
TOTAL MUNICIPAL SERVICES ADMIN.				24.79
PUBLIC WORKS ADMINISTRATION				
03133	CELLCOM WISCONSIN RSA 10	05/19 MIKE CELL SVC	01-150-000-58250	88.85
03133		05/19 CELL SVC	01-150-000-58250	7.54
TOTAL				96.39
TOTAL PUBLIC WORKS ADMINISTRATION				96.39
CITY HALL				
03159	CHARTER COMMUNICATIONS	05/19 FIRE CABLE SVC	01-160-000-58999	249.33
MID	MID-STATE SUPPLY	STOP CONTROL REPAIR KIT	01-160-000-55300	14.49
MID		DELIVERY	01-160-000-55300	3.00
VIKING	VIKING ELECTRIC SUPPLY, INC	30-FLO LIGHTS @ 4.70	01-160-000-55300	141.00
WARNER	WARNER-WEXEL WHOLESALE &	PAPER PRODUCTS	01-160-000-51850	24.73
TOTAL				432.55
TOTAL CITY HALL				432.55
GENERAL EXPENDITURES				
08167	GANNETT WISCONSIN NEWSPAPERS	ORD 1359 PUBLICATION	01-199-000-57450	549.90
08167		OPEN BOOK NOTICE	01-199-000-57450	70.35
08167		ORD 1357 PUBLICATION	01-199-000-57450	22.70
08167		ORD 1358 PUBLICATION	01-199-000-57450	33.88
08167		INVITE TO BID/FLAIL MOWER	01-199-000-57450	20.07
08167		PUBLIC HRING PUBLICATION/WHITE	01-199-000-57450	33.83
TOTAL				730.73
TOTAL GENERAL EXPENDITURES				730.73
POLICE DEPARTMENT				
STAPLES	WISCONSIN DOCUMENT IMAGING LLC	TONER:CMYK	01-200-000-55650	744.27
TOTAL				744.27
TOTAL POLICE DEPARTMENT				744.27
POLICE DEPARTMENT/PATROL				
03133	CELLCOM WISCONSIN RSA 10	05/19 CELLPHONES	01-215-000-58250	910.47

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CITY OF STURGEON BAY  
DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
-----				
GENERAL FUND				
03133		05/19 MIFI WIRELESS ROUTERS	01-215-000-58250	263.34
04575	DOOR COUNTY HARDWARE	BRASS CLIPS/DIVE FLAG	01-215-000-54999	8.37
04590	HUMANE SOCIETY	2019 3RD QTR ANIMAL CONTROL	01-215-000-55100	3,636.25
04696	DOOR COUNTY TREASURER	05/19 FUEL CHARGES	01-215-000-51650	3,861.71
19959	SUPERIOR CHEMICAL CORP	D GERM SANITIZER	01-215-000-54999	102.02
NELSON	NELSON TACTICAL	3 CSO UNIFORMS	01-215-000-52900	111.00
TOTAL				8,893.16
TOTAL POLICE DEPARTMENT/PATROL				8,893.16
POLICE DEPT. / INVESTIGATIONS				
ACCURINT	LEXISNEXIS RISK SOLUTIONS	05/19 CONTRACT FEE	01-225-000-57950	105.00
TOTAL				105.00
TOTAL POLICE DEPT. / INVESTIGATIONS				105.00
FIRE DEPARTMENT				
02005	BAY ELECTRONICS, INC.	RADIOS AND ACCESSORIES	01-250-000-57550	1,058.00
02214	FINCANTIERI BAY SHIPBUILDING	WELDING/WARRANTY TR2	01-250-000-53000	400.00
04150	DEJARDIN CLEANERS LLC	GEAR REPAIR	01-250-000-56250	60.00
04696	DOOR COUNTY TREASURER	05/19 FUEL CHARGES	01-250-000-51650	1,469.46
06650	GALLS, AN ARAMARK COMPANY	UNIFORMS	01-250-000-52900	34.03
PAULCONW	PAUL CONWAY SHIELDS	STREAMLIGHT/TACTICAL LIGHT	01-250-000-52900	134.50
PREVEA	PREVEA HEALTH WORKMED	MEDICAL EXAM/BOGDAN SAVENKO	01-250-000-57100	362.45
TOTAL				3,518.44
TOTAL FIRE DEPARTMENT				3,518.44
STORM SEWERS				
10750	PREMIER CONCRETE INC	.5 YRD CONCRETE @ 117/YD	01-300-000-51150	58.50
TOTAL				58.50
TOTAL STORM SEWERS				58.50
SOLID WASTE MGMT/SPRING/FALL				
ADVANCED	ADVANCED DISPOSAL	4 TVS	01-311-000-58400	195.00
TOTAL				195.00
TOTAL SOLID WASTE MGMT/SPRING/FALL				195.00
STREET SWEEPING				

DATE: 06/20/2019  
TIME: 11:59:31  
ID: AP443000.CST

CITY OF STURGEON BAY  
DEPARTMENT SUMMARY REPORT

PAGE: 4

INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
GENERAL FUND				
04545	DOOR COUNTY COOPERATIVE/NAPA	RADIATOR CAP	01-330-000-51400	10.99
25700	ZARNOTH BRUSH WORKS INC	4 DIRT SHOE RUNNERS @ 22.25	01-330-000-51400	89.00
TOTAL				99.99
TOTAL STREET SWEEPING				99.99
ROADWAYS/STREETS				
19860	STURGEON BAY SAND & GRAVEL	RIP RAP	01-400-000-52500	50.40
19860		BEACH STONE	01-400-000-52500	47.81
TOTAL				98.21
TOTAL ROADWAYS/STREETS				98.21
SNOW REMOVAL				
19880	STURGEON BAY UTILITIES	DAMAGED STREETLIGHT POLE	01-410-000-58999	1,922.03
TOTAL				1,922.03
TOTAL SNOW REMOVAL				1,922.03
STREET SIGNS AND MARKINGS				
04276	DIAMOND VOGEL PAINT CENTER	20 PAILS WHITE TRAFFIC PAINT	01-420-000-52100	1,072.00
TOTAL				1,072.00
TOTAL STREET SIGNS AND MARKINGS				1,072.00
STREET MACHINERY				
02844	BRUCE MUNICIPAL EQUIPMENT INC	MOMENTARY SWITCH	01-450-000-53000	36.16
02844		FREIGHT	01-450-000-53000	18.26
04545	DOOR COUNTY COOPERATIVE/NAPA	U JOINT/TRACTOR	01-450-000-53000	20.33
04696	DOOR COUNTY TREASURER	05/19 FUEL CHARGES 504.45G	01-450-000-51650	1,337.30
04696		05/19 DSL FUEL CHARGES	01-450-000-51650	1,671.07
19070	SCHARTNER IMPLEMENT INC	VEHICLE PARTS	01-450-000-52150	244.65
TOTAL				3,327.77
TOTAL STREET MACHINERY				3,327.77
CITY GARAGE				
04696	DOOR COUNTY TREASURER	MSHA TRAINING EXPENSES	01-460-000-54999	671.75
VIKING	VIKING ELECTRIC SUPPLY, INC	2 LED LIGHTS @ 25.09	01-460-000-55300	50.18
TOTAL				721.93

INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
-----				
GENERAL FUND				
TOTAL CITY GARAGE				721.93
PARK & RECREATION ADMIN				
03133	CELLCOM WISCONSIN RSA 10	05/19 STEVE CELL SVC	01-500-000-58250	31.78
03133		05/19 MIKE CELL SVC	01-500-000-58250	88.86
03133		05/19 CELL SVC	01-500-000-58250	7.55
03133		05/19 CELL SVC	01-500-000-58250	24.79
TOTAL				152.98
TOTAL PARK & RECREATION ADMIN				152.98
PARKS AND PLAYGROUNDS				
04545	DOOR COUNTY COOPERATIVE/NAPA	VALVE	01-510-000-56250	9.49
04545		CONNECTOR	01-510-000-56250	6.49
04696	DOOR COUNTY TREASURER	05/19 FUEL CHARGES 525.72G	01-510-000-51650	1,393.68
04696		05/19 DSL FUEL CHARGES 14.89G	01-510-000-51650	41.90
08225	HERLACHE SMALL ENGINE	MOWER BLADES	01-510-000-51900	44.97
19070	SCHARTNER IMPLEMENT INC	GLOW PLUG	01-510-000-53000	88.00
19070		CORE CHARGES	01-510-000-53000	219.45
20900	TRU GREEN CHEMLAWN	LAWN SERVICE/WEST SIDE FLD	01-510-000-58999	91.84
20900		LAWN SERVICE/KIWANIS FLD	01-510-000-58999	86.57
20900		LAWN SERVICE/ROTARY BLLELD	01-510-000-58999	86.57
20900		LAWN SERVICE/SUNSET BLLELD	01-510-000-58999	86.57
20900		LAWN SERVICE/JAYCEE FLD	01-510-000-58999	114.02
20900		LWN SERVICE MEM FLD	01-510-000-58999	163.63
20900		LAWN SERVICE/PBI BLLELD	01-510-000-58999	69.67
20900		LAWN SERVICE/QUINCY FLDS	01-510-000-58999	133.02
BENZINGE	ADDISON BENZINGER	SAFETY BOOT REIMBUSE/BENZINGER	01-510-000-56800	52.57
L&P	L&P CONVENIENT STORE SBAY LLC	FUEL PURCHASE	01-510-000-51650	157.71
L&P		ACCOUNT CREDIT	01-510-000-51650	-30.01
TRACTOR	TRACTOR SUPPLY CREDIT PLAN	2 HITCH PINS @ 4.99	01-510-000-54999	9.98
WARNER	WARNER-WEXEL WHOLESALE &	2 CASES BATH TISSUE @ 38.24	01-510-000-51850	76.48
WARNER		2 FOAMING HAND SOAP @ 45.24EA	01-510-000-51850	90.48
WARNER		FOAM SOAP DISPENSER	01-510-000-51850	4.95
WARNER		4 VANISOL CLEANSER @ 13.80	01-510-000-51850	55.20
WARNER		CASE BLEACH	01-510-000-51850	15.75
WEYERS	WEYERS EQUIPMENT, INC	ADJUSTABLE SEAT/HUSTLER MOWER	01-510-000-51900	499.99
TOTAL				3,568.97
TOTAL PARKS AND PLAYGROUNDS				3,568.97
MUNICIPAL DOCKS				
04545	DOOR COUNTY COOPERATIVE/NAPA	DRILL BIT	01-550-000-51850	10.99
04966	EAGLE MECHANICAL INC	TOLIET BOWL	01-550-000-54999	133.12
TOTAL				144.11
TOTAL MUNICIPAL DOCKS				144.11

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INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
GENERAL FUND				
EMPLOYEE BENEFITS				
04975	ECONO FOODS	POPCORN/WEELLNESS MTG	01-600-000-50550	13.97
HUMANA	HRI	GO365 ADMIN FEE/REWARDS	01-600-000-50550	707.00
TOTAL				720.97
TOTAL EMPLOYEE BENEFITS				720.97
TOTAL GENERAL FUND				34,092.39
CAPITAL FUND				
FIRE DEPARTMENT				
EXPENSE				
PAULCONW	PAUL CONWAY SHIELDS	TURNOUT GEAR	10-250-000-59050	8,140.00
TOTAL EXPENSE				8,140.00
TOTAL FIRE DEPARTMENT				8,140.00
ROADWAYS/STREETS				
ANNUAL RESURFACING & BASE REP.				
R0000421	WI DEPT OF TRANSPORTATION	MAPLE/OREGON BRIDGE ENGINEERIN	10-400-110-59095	4,587.06
TOTAL ANNUAL RESURFACING & BASE REP.				4,587.06
TOTAL ROADWAYS/STREETS				4,587.06
CURB/GUTTER/SIDEWALK				
EXPENSE				
04575	DOOR COUNTY HARDWARE	50LBS GRASS SEED/3RD AVE	10-440-000-59102	119.50
TOTAL EXPENSE				119.50
TOTAL CURB/GUTTER/SIDEWALK				119.50
PARKS AND PLAYGROUNDS				
EXPENSE				
06580	FOTH AND VAN DYKE	GRANT APPLICATION & ADMIN SVCS	10-510-000-59025	3,454.00
06580		GRANT ADMINISTRATION & LABOR	10-510-000-59025	2,832.50
TOTAL EXPENSE				6,286.50
TOTAL PARKS AND PLAYGROUNDS				6,286.50
MUNICIPAL DOCKS				
EXPENSE				
ROYLAN	ROYLAN BUOYS	7 DANGER BUOYS @ 125. EA	10-550-000-59075	875.00
ROYLAN		SHIPPING	10-550-000-59075	125.00
TOTAL EXPENSE				1,000.00
TOTAL MUNICIPAL DOCKS				1,000.00
TOTAL CAPITAL FUND				20,133.06

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INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
CABLE TV				
CABLE TV / GENERAL				
CABLE TV / GENERAL				
MANN	MANN COMMUNICATIONS, LLC	07.02.19 CONTRACT	21-000-000-55015	5,101.67
TOTAL CABLE TV / GENERAL				5,101.67
TOTAL CABLE TV / GENERAL				5,101.67
TOTAL CABLE TV				5,101.67
SOLID WASTE ENTERPRISE				
SOLID WASTE ENTERPRISE FUND				
SOLID WASTE ENTERPRISE FUND				
04603	HALRON LUBRICANTS INC	USED OIL PICK UP/250 G	60-000-000-52050	37.50
04696	DOOR COUNTY TREASURER	05/19 DSL FUEL-GARBAGE 950.97	60-000-000-51650	2,676.03
ADVANCED	ADVANCED DISPOSAL	248.04 TONS GARBAGE	60-000-000-58300	15,507.47
ADVANCED		108.71 TON RECYCLE	60-000-000-58350	1,576.37
ADVANCED		1.24 TON/TV	60-000-000-58350	132.52
FLEETPRI	FLEETPRIDE	BRAKE PARTS/GARBAGE TRCK	60-000-000-53000	348.04
JX ENT	JX ENTERPRISES, INC.	SEAL	60-000-000-53000	35.99
JX ENT		AXLE SHAFT GASKET	60-000-000-53000	4.11
TOTAL SOLID WASTE ENTERPRISE FUND				20,318.03
TOTAL SOLID WASTE ENTERPRISE FUND				20,318.03
TOTAL SOLID WASTE ENTERPRISE				20,318.03
TOTAL ALL FUNDS				79,645.15

**MANUAL CHECKS**

WEX BANK (SHELL FLEET) \$98.94

06/18/19

Check # 85285

Statement Charges

01-215-000-51650

SUPERIOR VISION INSURANCE \$807.00

06/18/19

Check # 85286

07/19 Vision Insurance

01-000-000-21540

PITNEY BOWES \$117.00

06/20/19

Check # 85370

Quarterly Postage Meter Rental

01-199-000-57250

**TOTAL MANUAL CHECKS \$1,022.94**

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INVOICES DUE ON/BEFORE 07/02/2019

VENDOR #	NAME	ITEM DESCRIPTION	ACCOUNT #	AMOUNT DUE
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SUMMARY OF FUNDS:				
	GENERAL FUND	34,092.39		35,115.33
	CAPITAL FUND	20,133.06		
	CABLE TV	5,101.67		
	SOLID WASTE ENTERPRISE	20,318.03		
		-----		
	TOTAL --- ALL FUNDS	79,645.15		80,468.09