

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 19, 2024

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

The Notes shall be designated as "qualified tax-exempt obligations".

New Issue

Rating Application Made: Moody's Investors Service, Inc.

CITY OF SHEBOYGAN FALLS, WISCONSIN (Sheboygan County)

\$6,635,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A

BID OPENING: June 26, 2024, 10:30 A.M., C.T.

CONSIDERATION: Not later than 11:59 P.M., C.T. on June 26, 2024 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The \$6,635,000* General Obligation Promissory Notes, Series 2024A (the "Notes") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City of Sheboygan Falls, Wisconsin (the "City"), for public purposes, including paying the cost of street improvement projects, fire apparatus, and the acquisition of public works equipment. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF NOTES: July 17, 2024

MATURITY: May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$350,000	2030	\$515,000	2035	\$300,000
2026	440,000	2031	535,000	2036	315,000
2027	455,000	2032	555,000	2037	330,000
2028	475,000	2033	575,000	2038	340,000
2029	495,000	2034	600,000	2039	355,000

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, up to a maximum of \$150,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: May 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing on May 1, 2033 and thereafter are subject to call for prior optional redemption on May 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM BID: \$6,555,380.

MAXIMUM BID: \$7,099,450.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$132,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Preliminary Official Statement is not to be construed as a contract with the underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Notes.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Notes in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF SHEBOYGAN FALLS COUNCIL

		<u>Term Expires</u>
Randy Meyer	Mayor	April 2026
Tom Bigler	Aldersperson	April 2025
Jacob Immel	Aldersperson	April 2026
Al Mayer	Aldersperson	April 2025
Terry Van Engen	Aldersperson	April 2026
Pete Weber	Aldersperson	April 2025
Rachel Howard	Aldersperson	April 2026

ADMINISTRATION

Shad Tenpas, City Administrator/Deputy Clerk/Utility Manager

Therese Gabrielse, City Treasurer/Deputy Clerk

Brianna Baesemann, City Clerk

PROFESSIONAL SERVICES

Michael Bauer, Hopp Neumann Humke LLP, City Attorney, Sheboygan, Wisconsin

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other office located in Roseville, Minnesota)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Sheboygan Falls, Wisconsin (the "City") and the issuance of its \$6,635,000* General Obligation Promissory Notes, Series 2024A (the "Notes"). **The Common Council adopted a resolution on June 5, 2024 (the "Parameters Resolution"), which authorized the City Administrator or the Mayor to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on June 26, 2024, neither the City Administrator nor the Mayor will have the authority to accept a bid for the Notes, and all bids will be rejected.**

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE NOTES

GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of July 17, 2024. The Notes will mature on May 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on May 1 and November 1 of each year, commencing May 1, 2025, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Parameters Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after May 1, 2033 shall be subject to optional redemption prior to maturity on May 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including paying the cost of street improvement projects, fire apparatus, and the acquisition of public works equipment.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Notes	\$6,635,000	
Estimated Interest Earnings	<u>77,698</u>	
Total Sources		\$6,712,698
Uses		
Estimated Underwriter's Discount	\$79,620	
Cost of Issuance	85,950	
Deposit to Project Construction Fund	6,543,000	
Rounding Amount	<u>4,128</u>	
Total Uses		\$6,712,698

*Preliminary, subject to change.

SECURITY

For the prompt payment of the Notes with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Notes when it becomes due and also to pay and discharge the principal on the Notes at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

RATING

General obligation debt of the City is currently rated "Aa2" by Moody's Investors Service, Inc. ("Moody's").

The City has requested a rating on the Notes from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events. The Disclosure Undertaking includes the two new material events effective February 27, 2019 under the Rule.

On the date of issue and delivery of the Notes, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with the Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities, including the two new material events, to help ensure compliance in the future.

LEGAL OPINION

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for the Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B).

TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Notes under existing law substantially in the following form:

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

ORIGINAL ISSUE DISCOUNT

To the extent that the initial public offering price of certain of the Notes is less than the principal amount payable at maturity, such Notes ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

BOND PREMIUM

To the extent that the initial offering price of certain of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the

compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2022 have been audited by Corson, Peterson & Hamann S.C., Sheboygan, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Notes will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Notes. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Notes may fall for purposes of resale. Noncompliance by the City with the covenants in the Parameters Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Notes in the secondary market.

Secondary Market for the Notes: No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Notes. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS

2023 Equalized Value	\$922,545,200
2023 Equalized Value Reduced by Tax Increment Valuation	\$827,507,100
2023 Assessed Value	\$672,512,300

2023 EQUALIZED VALUE BY CLASSIFICATION

	2023 Equalized Value¹	Percent of Total Equalized Value
Residential	\$659,409,600	71.477%
Commercial	151,782,200	16.453%
Manufacturing	97,728,800	10.593%
Agricultural	114,500	0.012%
Undeveloped	34,200	0.004%
Ag Forest	84,700	0.009%
Other	1,062,600	0.115%
Personal Property	<u>12,328,600</u>	<u>1.336%</u>
 Total	 <u><u>\$922,545,200</u></u>	 <u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2019	\$623,395,300	\$671,222,800	5.15%
2020	640,683,300	698,600,100	4.08%
2021	660,314,200	778,552,000	11.44%
2022	668,806,900	827,033,100	6.23%
2023	672,512,300	922,545,200	11.55%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2023 Equalized Value ¹	Percent of City's Total Equalized Value
Morrelle Warehouse	Warehousing	\$31,408,100	3.40%
Bemis Manufacturing	Industrial Manufacturing	28,190,840	3.06%
CCM-Sheboygan Falls	Housing	14,485,557	1.57%
Plank Trial Apartments	Housing	13,018,290	1.41%
Curt G. Joa Inc	Industrial Manufacturing	10,704,080	1.16%
TW Redtail Apartments	Housing	9,658,364	1.05%
Falls Parc LLC	Housing	8,367,921	0.91%
HEASF LLC	Housing	6,982,001	0.76%
A Positive Attitude	Manufacturing	6,898,322	0.75%
Pineview Park Apartments	Housing	<u>6,765,533</u>	<u>0.73%</u>
Total		\$136,479,008	14.79%
City's Total 2023 Equalized Value ²		\$922,545,200	

Source: The City.

DEBT

DIRECT DEBT³

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes)* \$15,887,797

Revenue Debt (see schedules following)

Total revenue debt secured by electric and water revenues \$1,925,000

*Preliminary, subject to change.

¹ Calculated by dividing the 2023 Assessed Values by the 2023 Aggregate Ratio of assessment for the City.

² Includes tax increment valuation.

³ Outstanding debt is as of the dated date of the Notes.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City expects to issue a Safe Drinking Water Loan within the next 12 months, but the amount and timing have not yet been determined. In addition, the City also expects to issue a Bank Loan in early 2025. Other than the preceding, the City has no current plans for additional financing in the next 12 months.

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$922,545,200
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$46,127,260
Less: General Obligation Debt*	<u>(15,887,797)</u>
Unused Debt Limit*	<u><u>\$30,239,463</u></u>

*Preliminary, subject to change.

City of Sheboygan Falls, Wisconsin
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 07/17/2024)

	Taxable Refunding Bonds Series 2011		Refunding Bonds Series 2014		Promissory Notes Series 2018A		Taxable Promissory Notes Series 2018B		State Trust Fund Loan	
Dated	11/22/2011		02/11/2014		05/30/2018		05/30/2018		12/06/2019	
Amount	\$1,175,000		\$6,825,000		\$2,885,000		\$1,275,000		\$1,375,000	
Maturity	03/01		04/01		05/01		05/01		03/15	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	488	0	83,738	0	18,300	0	10,679	0	0
2025	25,000	488	405,000	160,388	275,000	32,475	195,000	18,091	59,596	43,917
2026			420,000	145,950	300,000	23,850	125,000	12,700	61,831	41,682
2027			435,000	129,900	315,000	14,625	150,000	7,950	64,150	39,363
2028			455,000	112,100	330,000	4,950	150,000	2,663	66,454	37,059
2029			475,000	93,500					69,048	34,466
2030			495,000	74,100					71,637	31,876
2031			515,000	53,900					74,323	29,190
2032			535,000	32,900					77,038	26,475
2033			555,000	11,100					79,999	23,514
2034									82,999	20,514
2035									86,112	17,402
2036									89,302	14,211
2037									92,690	10,824
2038									96,166	7,348
2039									99,772	3,741
	25,000	975	4,290,000	897,575	1,220,000	94,200	620,000	52,083	1,171,116	381,582

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City of Sheboygan Falls, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 07/17/2024)

	Promissory Note		Community Development Bonds Series 2021A		Promissory Notes Series 2024A							Calendar Year Ending
Dated	05/27/2021		07/07/2021		07/17/2024							
Amount	\$827,573		\$1,850,000		\$6,635,000*							
Maturity	05/27		05/01		05/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	0	0	13,525	0	0	0	126,729	126,729	15,887,797	.00%	2024
2025	124,697	8,853	75,000	26,300	350,000	332,794	1,509,293	623,305	2,132,598	14,378,504	9.50%	2025
2026	128,616	4,934	75,000	24,800	440,000	241,270	1,550,447	495,186	2,045,633	12,828,057	19.26%	2026
2027	28,368	892	75,000	23,300	455,000	224,110	1,522,518	440,139	1,962,658	11,305,539	28.84%	2027
2028			75,000	21,800	475,000	206,157	1,551,454	384,728	1,936,182	9,754,084	38.61%	2028
2029			220,000	18,850	495,000	187,217	1,259,048	334,032	1,593,080	8,495,037	46.53%	2029
2030			225,000	14,400	515,000	167,523	1,306,637	287,899	1,594,536	7,188,400	54.76%	2030
2031			225,000	10,800	535,000	147,100	1,349,323	240,990	1,590,313	5,839,077	63.25%	2031
2032			225,000	7,988	555,000	125,900	1,392,038	193,262	1,585,300	4,447,039	72.01%	2032
2033			225,000	4,950	575,000	103,921	1,434,999	143,485	1,578,484	3,012,040	81.04%	2033
2034			225,000	1,688	600,000	81,068	907,999	103,269	1,011,268	2,104,041	86.76%	2034
2035					300,000	63,428	386,112	80,829	466,941	1,717,929	89.19%	2035
2036					315,000	50,969	404,302	65,180	469,482	1,313,627	91.73%	2036
2037					330,000	37,517	422,690	48,340	471,030	890,937	94.39%	2037
2038					340,000	23,176	436,166	30,523	466,689	454,772	97.14%	2038
2039					355,000	7,899	454,772	11,640	466,412	0	100.00%	2039
	281,681	14,679	1,645,000	168,400	6,635,000	2,000,045	15,887,797	3,609,538	19,497,335			

* Preliminary, subject to change.

City of Sheboygan Falls, Wisconsin
 Schedule of Bonded Indebtedness
 Revenue Debt Secured by Electric and Water Revenues
 (As of 07/17/2024)

Water & Electric System Revenue
 Bonds
 Series 2018C

Dated	12/20/2018
Amount	\$2,505,000
Maturity	05/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	34,055	0	34,055	34,055	1,925,000	.00%	2024
2025	110,000	65,910	110,000	65,910	175,910	1,815,000	5.71%	2025
2026	115,000	61,410	115,000	61,410	176,410	1,700,000	11.69%	2026
2027	120,000	56,710	120,000	56,710	176,710	1,580,000	17.92%	2027
2028	120,000	52,510	120,000	52,510	172,510	1,460,000	24.16%	2028
2029	130,000	48,760	130,000	48,760	178,760	1,330,000	30.91%	2029
2030	130,000	44,795	130,000	44,795	174,795	1,200,000	37.66%	2030
2031	130,000	40,765	130,000	40,765	170,765	1,070,000	44.42%	2031
2032	140,000	36,475	140,000	36,475	176,475	930,000	51.69%	2032
2033	140,000	31,925	140,000	31,925	171,925	790,000	58.96%	2033
2034	150,000	27,138	150,000	27,138	177,138	640,000	66.75%	2034
2035	150,000	22,113	150,000	22,113	172,113	490,000	74.55%	2035
2036	160,000	16,400	160,000	16,400	176,400	330,000	82.86%	2036
2037	160,000	10,000	160,000	10,000	170,000	170,000	91.17%	2037
2038	170,000	3,400	170,000	3,400	173,400	0	100.00%	2038
	1,925,000	552,365	1,925,000	552,365	2,477,365			

OVERLAPPING DEBT¹

Taxing District	Equalized Value²	% In City	Total G.O. Debt³	City's Proportionate Share
Sheboygan County	\$14,393,939,500	6.4100%	\$23,905,000	\$1,532,311
Lakeshore Technical College District	23,342,317,630	3.9500%	32,855,000	1,297,773
Sheboygan Falls School District	1,422,843,729	64.8400%	18,285,000	<u>11,855,994</u>
City's Share of Total Overlapping Debt				<u><u>\$14,686,077</u></u>

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$922,545,200	Debt/ Per Capita 8,638⁴
Total General Obligation Debt*	\$15,887,797	1.72%	\$1,839.29
City's Share of Total Overlapping Debt	<u>14,686,077</u>	<u>1.59%</u>	<u>\$1,700.17</u>
Total*	\$30,573,874	3.31%	\$3,539.46

*Preliminary, subject to change.

¹ Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

² Includes tax increment valuation.

³ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

⁴ Estimated 2023 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2019/20	\$3,690,448	100%	\$5.76
2020/21	3,757,347	100%	5.72
2021/22	3,818,486	100%	5.41
2022/23	3,940,923	100%	5.27
2023/24	3,979,459	In Process	4.81

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year. The personal property tax has been repealed, starting with the property tax assessments as of January 1, 2024. Beginning in 2025, the personal property tax has been replaced with a payment from the State intended to replace the amount of property taxes imposed on personal property for the property tax assessments as of January 1, 2023.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Total
2019/20	\$10.20	\$5.06	\$5.76	\$21.02
2020/21	10.18	4.81	5.72	20.71
2021/22	9.49	4.61	5.41	19.51
2022/23	8.78	4.23	5.27	18.28
2023/24	8.47	3.76	4.81	17.04

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent; for a tax incremental district created after December 31, 2024, the valuation factor includes 90% of the equalized value increase due to new construction that is located in a tax incremental district, but does not include any improvements removed in a tax incremental district). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

¹ The Schools tax rate reflects the composite rate of all local school districts and technical college district.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other adjustments to and exclusions from the tax levy limit. Among the exclusions, Section 66.0602(3)(e)5. of the Wisconsin Statutes provides that the levy limit does not apply to "the amount that a political subdivision levies in that year to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 by that political subdivision." Recent positions taken by the Wisconsin Department of Revenue ("DOR") call into question the availability of this exception if the revenue shortfall is planned or ongoing. To date, such DOR positions have not been expressed formally in a declaratory ruling under Section 227.41(5)(a) of the Wisconsin Statutes, nor have they been the subject of any court challenge or resulting court ruling.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Notes.

REVENUE FROM THE STATE

In addition to local property taxes described above, a number of state programs exist which provide revenue to the City. One such program is commonly known as shared revenue which, pursuant to sec. 79.036, Wis. Stats., provides funding to the City that can be used for any public purpose. 2023 Wisconsin Act 12 ("Act 12") created a supplement to shared revenue, with payments to the City beginning in 2024. This supplemental shared revenue may be used only for the purposes specified in section 79.037, Wis. Stats. In 2024, the City is expected to receive approximately \$628,000 in shared revenue and supplemental shared revenue from the State, an increase from the approximately \$408,000 received in 2023. In future years, the amount of supplemental shared revenue could grow if State sales tax collections grow.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1913 and is governed by a Mayor and a six-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to two-year terms. The appointed City Administrator/Deputy Clerk/Utility Manager and the City Treasurer/Deputy Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 44 full-time, 21 part-time, and six seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2020 ("Fiscal Year 2020"), the fiscal year ended December 31, 2021 ("Fiscal Year 2021") and the fiscal year ended December 31, 2022 ("Fiscal Year 2022"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$260,684, \$259,102 and \$262,905, respectively.

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2021, the total pension liability of the WRS was calculated as \$133.79 billion and the fiduciary net position of the WRS was calculated as \$141.85 billion, resulting in a net pension asset of \$8.06 billion. As of December 31, 2022, the total pension liability of the WRS was calculated as \$123.7 billion and the fiduciary net position of the WRS was calculated as \$118.4 billion, resulting in a net pension liability of \$5.3 billion. Accordingly, the City will report a liability for its proportionate share of the net pension liability of the WRS in its audited financial statements for the year ended December 31, 2023.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2022, the City reported an asset of \$1,802,330 for its proportionate share of the net pension asset of the WRS. The net pension asset was measured as of December 31, 2021 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.02236091% of the aggregate WRS net pension asset as of December 31, 2021.

The calculation of the total pension asset and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension asset of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 10 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining unit represents employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Sheboygan Falls Policeman’s Association Local 210	December 31, 2026

OTHER POST EMPLOYMENT BENEFITS

The City does not provide any other post employment benefits.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

FUNDS ON HAND (as of April 30, 2024)

Fund	Total Cash and Investments
General	\$3,911,105
Special Revenue	1,304,253
Debt Service	132,195
Capital Projects	41,395
Enterprise Funds	11,609,047
TIF's	<u>599,869</u>
 Total Funds on Hand	 <u><u>\$17,597,864</u></u>

ENTERPRISE FUNDS

Revenues available for debt service for the City's enterprise funds have been as follows as of December 31 each year:

	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited
Water				
Total Operating Revenues	\$1,894,184	\$2,072,983	\$1,979,694	\$1,920,281
Less: Operating Expenses	<u>(1,490,328)</u>	<u>(1,514,455)</u>	<u>(1,451,618)</u>	<u>(1,573,390)</u>
Operating Income	\$403,856	\$558,528	\$528,076	\$346,891
Plus: Depreciation	281,222	283,109	297,709	304,769
Interest Income	<u>92,894</u>	<u>46,379</u>	<u>45,968</u>	<u>214,002</u>
Revenues Available for Debt Service	<u><u>\$777,972</u></u>	<u><u>\$888,016</u></u>	<u><u>\$871,753</u></u>	<u><u>\$865,662</u></u>
Electric				
Total Operating Revenues	\$14,683,760	\$15,421,482	\$17,574,043	\$16,637,527
Less: Operating Expenses	<u>(14,129,778)</u>	<u>(14,980,605)</u>	<u>(17,569,728)</u>	<u>(16,716,937)</u>
Operating Income	\$553,982	\$440,877	\$4,315	(\$79,410)
Plus: Depreciation	653,481	663,766	674,205	686,399
Interest Income	<u>185,789</u>	<u>92,758</u>	<u>91,935</u>	<u>428,004</u>
Revenues Available for Debt Service	<u><u>\$1,393,252</u></u>	<u><u>\$1,197,401</u></u>	<u><u>\$770,455</u></u>	<u><u>\$1,034,993</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited ¹	2024 Adopted Budget ²
Revenues					
Taxes, other taxes & special assessments	\$3,911,425	\$4,001,272	\$4,056,004	\$4,179,716	\$4,172,259
Intergovernmental revenues	1,364,056	1,224,986	1,239,657	1,247,522	1,448,329
Licenses and permits	322,296	182,688	242,403	282,770	173,500
Fines, forfeits and penalties	104,364	116,191	123,383	121,153	90,000
Public charges for services	93,921	114,478	154,829	201,714	165,500
Intergovernmental charges for services	46,138	55,717	47,805	59,078	56,550
Miscellaneous	316,520	185,512	247,476	531,209	195,859
Total Revenues	<u>\$6,158,720</u>	<u>\$5,880,844</u>	<u>\$6,111,557</u>	<u>\$6,623,162</u>	<u>\$6,301,997</u>
Expenditures					
Current:					
General government	\$1,461,692	\$1,451,261	\$1,516,827	\$1,600,934	\$1,701,128
Public safety	1,716,601	1,635,518	1,649,625	1,688,789	1,739,391
Public works	1,277,634	1,309,049	1,340,358	1,393,914	1,426,197
Health and human services	44,935	62,484	66,015	48,497	49,039
Culture, recreation and education	418,776	428,136	461,959	472,630	485,261
Conservation and development	29,757	17,515	7,750	5,043	0
Capital outlay	308,145	243,918	439,535	340,794	66,310
Debt service					
Principal	1,173,170	1,185,872	1,215,872	1,232,340	1,237,340
Interest	311,377	282,136	261,003	240,055	220,865
Fees	3,075	3,000	1,304	1,304	1,300
Total Expenditures	<u>\$6,745,162</u>	<u>\$6,618,889</u>	<u>\$6,960,248</u>	<u>\$7,024,300</u>	<u>\$6,926,831</u>
Excess of revenues over (under) expenditures	(\$586,442)	(\$738,045)	(\$848,691)	(\$401,138)	(\$624,834)
Other Financing Sources (Uses)					
Transfers in	594,113	629,495	622,831	626,297	624,834
Total Other Financing Sources (Uses)	<u>594,113</u>	<u>629,495</u>	<u>622,831</u>	<u>626,297</u>	<u>624,834</u>
Net changes in Fund Balances	\$7,671	(\$108,550)	(\$225,860)	\$225,159	\$0
General Fund Balance January 1	<u>\$3,592,256</u>	<u>\$3,599,927</u>	<u>\$3,491,377</u>	<u>\$3,265,517</u>	<u>\$3,490,676</u>
General Fund Balance December 31	\$3,599,927	\$3,491,377	\$3,265,517	\$3,490,676	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$44,291	\$54,284	\$5,367	\$4,239	
Restricted	148,795	132,195	132,195	132,195	
Assigned	1,135,964	1,079,788	1,042,961	1,024,928	
Unassigned	2,270,877	2,225,110	2,084,994	2,329,314	
Total	<u>\$3,599,927</u>	<u>\$3,491,377</u>	<u>\$3,265,517</u>	<u>\$3,490,676</u>	

¹ The 2023 unaudited data is as of May 28, 2024.

² The 2024 budget was adopted on November 15, 2023.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 8,210 and a current estimated population of 8,638 comprises an area of 5.41 square miles and is located approximately 50 miles north of Milwaukee and 50 miles south of Green Bay.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Bemis Manufacturing	Plastic/Health Care product manufacturer	1,200
Curt G. Joa, Inc	Paper converting machinery	400
Pine Haven Christian Home	Skilled nursing care facilities	220
Sheboygan Falls School District	Elementary and secondary education	190
Poly Vinyl Company Inc.	Extruded vinyl products manufacture	187
Spartech	Extruded vinyl/plastic products for health	75
The City	Municipal government and services	71
Landmark Landscape Inc.	Landscape Company	65
Lakeside Pepsi	Beverage distributor	60
Jifram	Extruded vinyl/plastic products	35

Source: The City, Data Axle Reference Solutions, written and telephone survey, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS (as of May 28, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	7	6	6	36	9
Valuation	\$2,029,400	\$1,932,200	\$1,488,050	\$59,614,295	\$2,613,950
<u>New Multiple Family Buildings</u>					
No. of building permits	2	2	4	2	0
Valuation	\$2,091,900	\$930,600	\$2,363,920	\$1,360,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	3	0	1	3	2
Valuation	\$17,068,800	\$0	\$5,580,000	\$3,087,511	\$2,834,978
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	590	485	446	404	166
Valuation	\$27,954,700	\$6,892,200	\$5,801,914	\$8,363,266	\$3,068,243

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census Population	7,775
2020 U.S. Census Population	8,210
Percent of Change 2010 - 2020	5.59%
2023 Estimated Population	8,638

Income and Age Statistics

	The City	Sheboygan County	State of Wisconsin	United States
2022 per capita income	\$37,591	\$37,454	\$40,130	\$41,261
2022 median household income	\$66,416	\$68,969	\$72,458	\$75,149
2022 median family income	\$79,688	\$87,694	\$92,974	\$92,646
2022 median gross rent	\$814	\$863	\$992	\$1,268
2022 median value owner occupied units	\$185,000	\$198,900	\$231,400	\$281,900
2022 median age	42.4 yrs.	41.5 yrs.	39.9 yrs.	38.5 yrs.

	State of Wisconsin	United States
City % of 2022 per capita income	93.67%	91.11%
City % of 2022 median family income	85.71%	86.01%

Housing Statistics

	<u>The City</u>		
	2020	2022	Percent of Change
All Housing Units	3,900	3,879	-0.54%

Source: 2010 and 2020 Census of Population and Housing, Wisconsin Demographic Services Center (https://doa.wi.gov/Pages/LocalGovtsGrants/Population_Estimates.aspx) and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Sheboygan County	Sheboygan County	State of Wisconsin	
2020	58,343	5.8%	6.4%	
2021	59,682	3.2%	3.9%	
2022	59,917	2.4%	2.9%	
2023 ¹	61,066	2.5%	3.0%	
2024, April ¹	61,105	2.4%	3.0%	

Source: Wisconsin Department of Workforce Development.

¹ Preliminary.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there have been no material adverse changes in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

City of Sheboygan Falls
Sheboygan Falls, Wisconsin
Financial Statements
Year ended December 31, 2022

City of Sheboygan Falls
Financial Statements
Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Common Council
City of Sheboygan Falls
Sheboygan Falls, Wisconsin

Report on the Audit of the Financial Statements

Opinions

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 Sheboygan Falls, Wisconsin (the "City") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, as of December 31, 2022, 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 of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedules relating to pensions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin

September 1, 2023

Management's Discussion and Analysis

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

This discussion and analysis of the City of Sheboygan Falls' financial information provides an overall review of financial activities for the year. The analysis generally focuses on City financial performance as a whole. A comparison to prior year data is also presented for additional analysis. This discussion and analysis should be read in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The City's overall financial position, as reflected in total net position, increased \$2,216,493. Net position of governmental activities increased \$1,422,392 and net position of business-type activities increased \$794,101.
- In the governmental funds, total fund balances increased \$228,633, including a decrease of \$225,860 in the general fund, a decrease of \$55,983 in the revolving loan fund, an increase of \$460,324 in the TIF District #3 fund and a decrease of \$436,091 in the TIF District #4 fund.
- The City issued general obligation debt of \$550,000 for capital improvement projects.
- The governmental funds paid \$1,796,069 in general obligation debt and the enterprise fund paid \$95,000 of revenue bond debt during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government-wide financial statements

- The government-wide financial statements are the statement of net position and statement of activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called governmental activities, from functions that are intended to recover all or a significant portion of costs through user fees and charges called business-type activities.
- The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred 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 year. This statement reports the cost of government functions and how those functions were financed for the year.
- The government-wide financial statements are shown on pages 14 to 16 of this report.

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Fund financial statements

- The City also produces 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. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating a City's near-term financing requirements.
- There are two fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balances. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balances.
- Because the focus of fund financial statements is narrower than that of the government-wide financial statements it is useful to make comparisons between the information presented. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided on separate statements.
- The City has three kinds of funds: governmental, proprietary and fiduciary. Governmental funds include the City's four permanent funds (general, sewage service, fire department fund raising and revolving loan), ARPA, five TIF Districts and individual capital project funds as needed. In the current year the City has four capital project funds. The City has one proprietary fund, the Sheboygan Falls Utilities, which operates the electric and water utilities. The City's only fiduciary fund is the custodial tax collection fund.
- Financial information is presented separately on both the balance sheet and the statement of revenues, expenditures and changes in fund balances for the general, revolving loan, TIF District #3 and TIF District #4 as these funds are considered to be major funds. Data for the remaining funds are combined into a single, aggregate column. Data for each of the individual nonmajor funds is provided separately as other supplementary information. The governmental fund financial statements are shown on pages 17 and 19 of this report.
- The proprietary fund statements for the Sheboygan Falls Utilities (electric and water utilities) are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the City provides a statement of cash flows for the proprietary funds. The proprietary fund financial statements are shown on pages 21 to 25 of this report.
- The City serves as the fiduciary for assets that belong to other taxing governments including County, School District and Vocational School District tax collections. The City is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The City excludes the activities from the government-wide financial statements because it cannot use these assets to finance its operations. The fiduciary fund financial statements are presented on page 26.
- The City adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate budget compliance. The budgetary comparison schedule and related notes are on page 64 and 66 of this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 63 of this report.

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Major features of the government-wide and fund financial statements

The major features of the City's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as public safety, public works and culture, recreation and education	Activities the City operates similar to private business: the City's electric and water utility are its only proprietary operations	Instances in which the City administers resources on behalf of someone else, such as County and School tax collections
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Basis of accounting and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital; short-term and long-term	All assets and liabilities, both financial and capital; short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

FINANCIAL ANALYSIS

The City as a Whole

Net position. Table 1, below, provides a summary of the City's net position for the year ended December 31, 2022 compared to 2021.

Table 1 Condensed Statement of Net Position December 31, 2022 and 2021						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 11,663,996	\$ 11,613,525	\$ 12,828,489	\$ 11,908,728	\$ 24,492,485	\$ 23,522,253
Non-current assets						
Capital assets - net	40,564,558	40,958,423	21,294,636	21,378,674	61,859,194	62,337,097
Other assets	1,686,212	964,324	3,591,943	3,927,189	5,278,155	4,891,513
Total assets	\$ 53,914,766	\$ 53,536,272	\$ 37,715,068	\$ 37,214,591	\$ 91,629,834	\$ 90,750,863
Deferred outflows of resources	\$ 2,638,541	\$ 1,723,925	\$ 879,512	\$ 574,642	\$ 3,518,053	\$ 2,298,567
Liabilities						
Long-term obligations	\$ 13,248,068	\$ 14,608,011	\$ 2,238,654	\$ 2,364,964	\$ 15,486,722	\$ 16,972,975
Other liabilities	748,344	575,506	1,977,569	2,145,927	2,725,913	2,721,433
Total liabilities	\$ 13,996,412	\$ 15,183,517	\$ 4,216,223	\$ 4,510,891	\$ 18,212,635	\$ 19,694,408
Deferred inflows of resources	\$ 8,569,079	\$ 7,511,256	\$ 1,061,643	\$ 755,729	\$ 9,630,722	\$ 8,266,985
Net position						
Net investment in capital assets	\$ 28,669,448	\$ 27,924,438	\$ 19,110,782	\$ 19,153,674	\$ 47,780,230	\$ 47,078,112
Restricted	3,449,469	2,834,459	629,342	523,843	4,078,811	3,358,302
Unrestricted	1,868,899	1,806,527	13,576,590	12,845,096	15,445,489	14,651,623
Total net position	\$ 33,987,816	\$ 32,565,424	\$ 33,316,714	\$ 32,522,613	\$ 67,304,530	\$ 65,088,037

- Current assets consist mainly of cash and investments, taxes receivable and accounts receivable.
- Net capital assets decreased due to current year depreciation expense in excess of capital asset additions.
- Other assets consist of restricted assets, internal advances, loans receivable, special assessments receivable and investment in ATC.
- Deferred outflows of resources consist of deferred outflows related to pension.
- Long-term obligations decreased during the year.
- Other liabilities, including accounts payable and accrued expenses, were little changed during the year.
- Deferred inflows of resources consist of unearned revenue and deferred inflows related to pension.

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Change in net position. Table 2 shows the change in net position for the years ended December 31, 2022 and 2021.

	Governmental	Business-Type	Total	
	Activities	Activities	2022	2021
Revenues				
Program revenues				
Charges for services	\$ 1,719,196	\$ 19,553,737	\$ 21,272,933	\$ 19,199,609
Operating grants and contributions	763,850	-	763,850	732,264
Capital grants and contributions	524,459	77,208	601,667	865,968
General revenues				
General property taxes	3,818,487	-	3,818,487	3,757,346
Other taxes	1,663,103	-	1,663,103	1,119,886
Shared revenues	459,328	-	459,328	453,288
Other	412,319	140,165	552,484	644,184
Total revenues	\$ 9,360,742	\$ 19,771,110	\$ 29,131,852	\$ 26,772,545
Expenses				
General government	\$ 1,311,454	\$ -	\$ 1,311,454	\$ 1,224,671
Public safety	2,010,768	-	2,010,768	1,968,202
Public works	3,002,502	-	3,002,502	3,203,869
Health and human services	70,295	-	70,295	66,229
Culture, recreation and education	634,105	-	634,105	591,380
Conservation and development	393,884	-	393,884	133,804
Interest and fees on debt	399,783	-	399,783	494,214
Electric and water utility	-	19,092,568	19,092,568	16,569,715
Total expenses	\$ 7,822,791	\$ 19,092,568	\$ 26,915,359	\$ 24,252,084
Change in net position before transfers	\$ 1,537,951	\$ 678,542	\$ 2,216,493	\$ 2,520,461
Transfers	(115,559)	115,559	-	-
Change in net position	\$ 1,422,392	\$ 794,101	\$ 2,216,493	\$ 2,520,461
Net position, Beginning of year	32,565,424	32,522,613	65,088,037	62,567,576
Net position, End of year	<u>\$ 33,987,816</u>	<u>\$ 33,316,714</u>	<u>\$ 67,304,530</u>	<u>\$ 65,088,037</u>

- Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions, totaled \$3,007,505 for governmental activities and \$19,630,945 for business-type activities. In total, program revenues increased \$1,840,609 compared to 2021.
- General revenues, including property taxes, other taxes, shared revenues and investment income, totaled \$6,353,237 for governmental activities and \$140,165 for business-type activities. General property taxes increased \$61,141 compared to 2021.

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Governmental Activities

Net cost of governmental activities. Table 3 reports the cost of seven major City activities for the years ended December 31, 2022 and 2021. The table also shows each activity's net cost (total cost less fees generated by the activities and grants and contributions provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

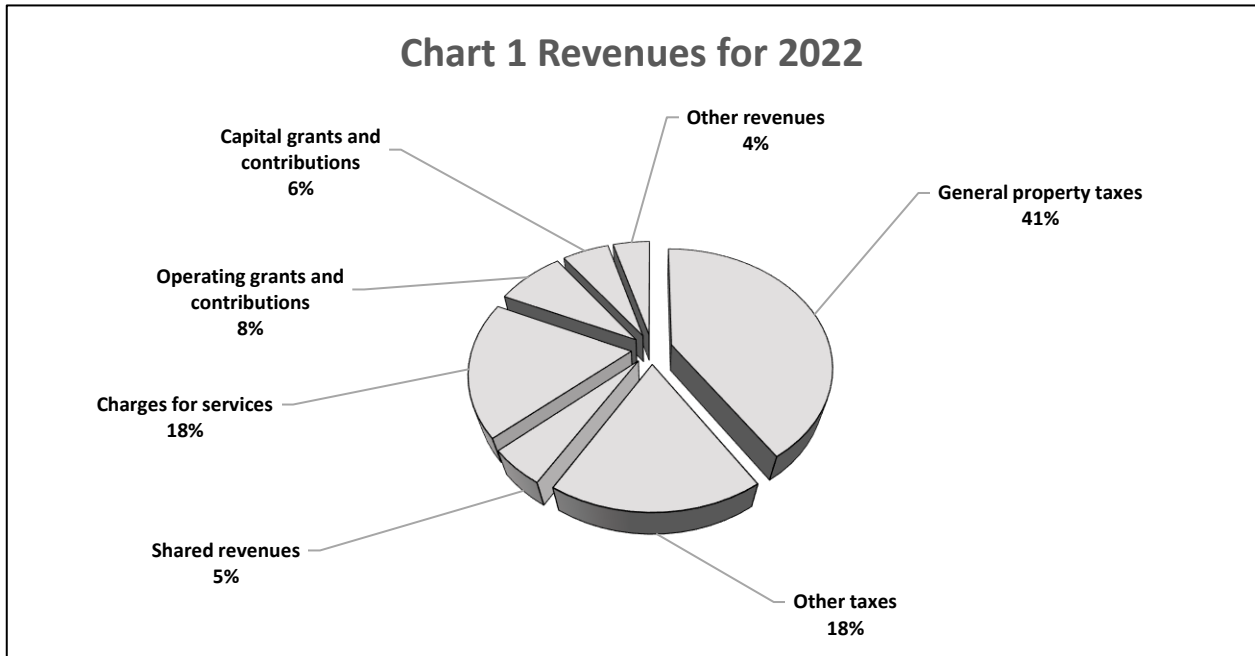
	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General government	\$ 1,311,454	\$ 1,224,671	\$ 1,011,797	\$ 952,383
Public safety	2,010,768	1,968,202	1,687,154	1,720,718
Public works	3,002,502	3,203,869	831,137	985,092
Health and human services	70,295	66,229	34,970	27,519
Culture, recreation and education	634,105	591,380	456,561	422,203
Conservation and development	393,884	133,804	393,884	96,262
Interest and fees on debt	399,783	494,214	399,783	494,214
Totals	<u>\$ 7,822,791</u>	<u>\$ 7,682,369</u>	<u>\$ 4,815,286</u>	<u>\$ 4,698,391</u>

- The total cost of all governmental activities for the year was \$7,822,791, an increase of \$140,422 compared to 2021.
- Individuals, other governments and others who directly participated in or benefited from a program paid \$1,719,196 of the costs.
- Governmental and other operating grants and contributions, including transportation aid and library system income, accounted for \$763,850 of the costs.
- Capital grants and contributions, including American Rescue Plan Act aid and County sales tax for road improvements, accounted for \$524,459 of the costs.
- The net cost of governmental activities were financed with general revenues and transfers, which consists of general property taxes, tax increments, mobile home fees, other taxes, shared revenues, exempt computer aid, personal property aid, video service provider aid, investment income, gain on sale of property and equipment and miscellaneous items.

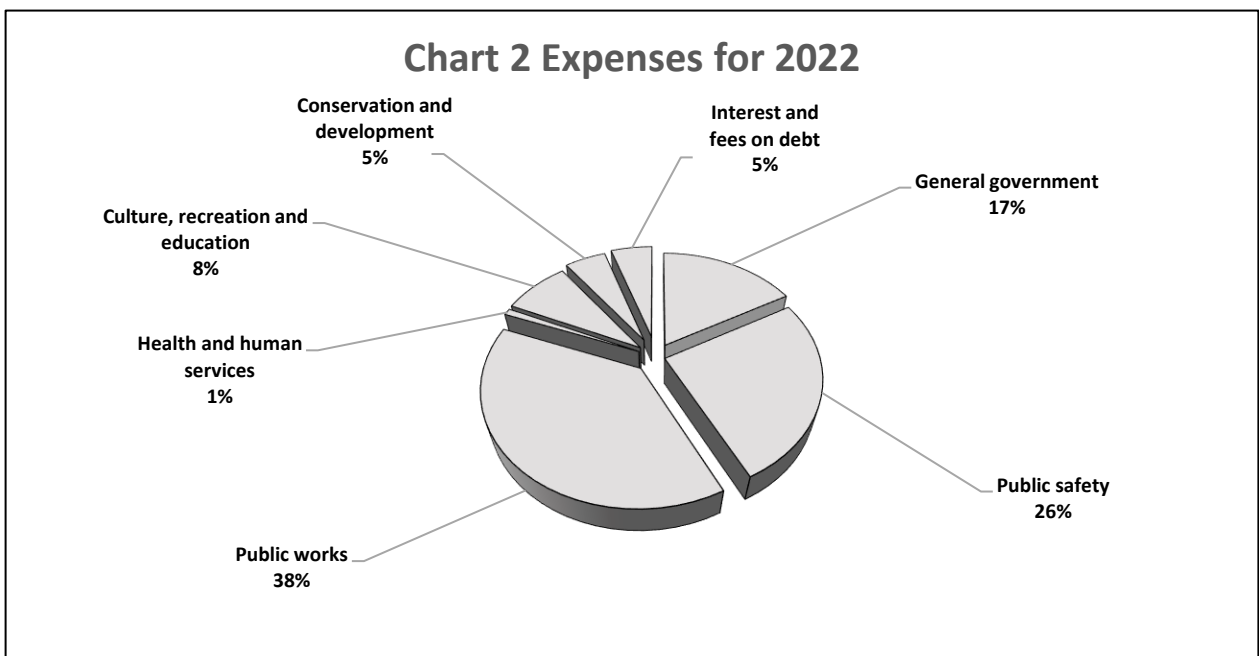
City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Governmental Activities

- Property and other taxes, shared revenues and charges for services account for the greatest portion of revenues for the City as illustrated in Chart 1.



- Expenses by major function are illustrated in Chart 2.



City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Business-Type Activities

Revenues for the City's business-type activities (electric and water utility) are comprised of charges for services, capital grants and contributions and investment income. (See Table 2)

- Utility revenues exceeded expenses by \$794,101, a decrease of \$59,442 compared to 2021.
- Charges for services, which are amounts paid by individuals and others for electric and water service, totaled \$19,553,737 for 2022, an increase of \$2,059,272 compared to 2021.
- Capital grants and contributions from customers, developers and the City totaled \$705,598, an increase of \$386,200 compared to 2021.

Governmental Funds

The City completed the year with a total governmental fund balance of \$5,506,153, which was \$228,633 greater than last year's ending fund balance of \$5,277,520.

- The general fund had a decrease in fund balance of \$225,860, due mainly from a net decrease in the fair value of investments of \$155,533.
- The revolving loan fund had a decrease in fund balance of \$55,983, due to USDA loan repayments.
- The TIF District #3 fund had an increase in fund balance of \$460,324, which was used to repay a portion of the advance from the Utility.
- The TIF District #4 fund had a decrease in fund balance of \$436,091, due to capital expenditures of \$503,665.

General Fund Budgetary Highlights

Consistent with current state statutes and regulations the Common Council adopts a general fund budget. Generally, the original budget is not modified during the year. The general fund had an unfavorable budget variance of \$225,860 for the year. The general fund budgetary comparison schedule is shown on page 64 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, the City had invested over \$111 million in a broad range of capital assets, including land, land improvements, buildings and building improvements, infrastructure, utility transmission and distribution systems and furniture and equipment. (See Table 4) Additional information about capital assets can be found in Note 5.

- Major capital asset additions for the year include a police squad car, 2 pickup trucks, International truck, plow and box, street improvements, storm sewer improvements, sanitary sewer improvements, library HVAC upgrade, park improvements and electric and water system upgrades.

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

Capital Assets - Continued

Table 4 Capital Assets December 31, 2022 and 2021						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 14,878,715	\$ 14,927,715	\$ 54,572	\$ 54,572	\$ 14,933,287	\$ 14,982,287
Land improvements	1,371,888	1,371,888	-	-	1,371,888	1,371,888
Buildings and building improvements	11,622,294	11,556,679	667,870	667,870	12,290,164	12,224,549
Infrastructure	36,377,404	35,762,022	-	-	36,377,404	35,762,022
Transmission and distribution systems	-	-	38,573,380	37,697,932	38,573,380	37,697,932
Furniture and equipment	6,031,808	6,422,264	1,577,298	1,471,622	7,609,106	7,893,886
Construction in progress	65,219	37,732	116,449	177,291	181,668	215,023
	<u>\$ 70,347,328</u>	<u>\$ 70,078,300</u>	<u>\$ 40,989,569</u>	<u>\$ 40,069,287</u>	<u>\$ 111,336,897</u>	<u>\$ 110,147,587</u>
Accumulated depreciation	<u>(29,782,770)</u>	<u>(29,119,877)</u>	<u>(19,694,933)</u>	<u>(18,690,613)</u>	<u>(49,477,703)</u>	<u>(47,810,490)</u>
Totals	<u>\$ 40,564,558</u>	<u>\$ 40,958,423</u>	<u>\$ 21,294,636</u>	<u>\$ 21,378,674</u>	<u>\$ 61,859,194</u>	<u>\$ 62,337,097</u>

Long-Term Obligations

At year end, the City had \$15,486,722 in general obligation debt, revenue bond debt, promissory notes and other long-term obligations outstanding - a decrease of \$1,486,253 from last year. Additional information about the City's long-term obligations is presented in Note 6 to the financial statements.

Table 5 Outstanding Long-Term Obligations December 31, 2022 and 2021			
	Total		Increase (Decrease)
	2022	2021	2022-21
General obligation debt	\$ 11,983,680	\$ 13,229,749	\$ (1,246,069)
Revenue bonds	2,130,000	2,225,000	(95,000)
Promissory notes	937,500	1,000,000	(62,500)
Accumulated sick leave	158,753	189,503	(30,750)
Unamortized debt premium	276,789	328,723	(51,934)
Totals	<u>\$ 15,486,722</u>	<u>\$ 16,972,975</u>	<u>\$ (1,486,253)</u>

- During the year the City issued general obligation debt of \$550,000 for capital improvement projects.

City of Sheboygan Falls
Management's Discussion and Analysis
Year ended December 31, 2022

FACTORS BEARING ON THE CITY'S FUTURE

Currently known circumstances that will impact the City's financial status in the future are:

- Planning for the multi-year reconstruction project of Fond du Lac Ave. from Oak St. to Rangeline Road will begin in 2023 with construction beginning in 2025. The total cost of the project will be approximately \$3.2 million with the costs allocated between the City and Utilities. The City will receive a LRIP Supplemental Grant from the State for \$1,167,150 for eligible project costs.
- The Water Utility will rebuild the Fond du Lac Ave. booster station in 2024 and are applying for a \$2.6 million Safe Drinking Water Loan for the project.
- Commercial and industrial development is continuing in Vision Business Park. Three developer agreements have been signed since late 2022 which will add approximately \$4 million to the value of TIF District #5.
- The City signed a developer agreement with the SCEDC for the construction of 100 moderate income single family homes by the end of 2024 in Founders Point Subdivision. The new construction will add approximately \$20 million to the value of TIF District #4.
- The Electric Utility started a rate case study during 2022. The Wisconsin Public Service Commission (PSC) is currently reviewing the application. A rate increase of 10% to 14% is anticipated in late 2023 or early 2024.
- The Water Utility is eligible for an 8% simplified rate case increase through the Wisconsin Public Service Commission (PSC). The simplified rate case has been started with implementation being considered as of December 1, 2023 or January 1, 2024.
- TIF District #3 was created to promote commercial and industrial development in the City including Vision Business Park. The District will close in 2025 and will increase the City tax base by more than \$20 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need any additional information, contact the City of Sheboygan Falls, Attn: Shad Tenpas, City Administrator at (920) 467-7900, ext. #7 or at shad@citysheboyganfalls.wi.gov.

General information relating to the City of Sheboygan Falls, can be found at our website: www.cityofsheboyganfalls.com.

Basic Financial Statements

City of Sheboygan Falls
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 7,847,464	\$ 9,805,502	\$ 17,652,966
Receivables			
Taxes and special charges	3,503,453	-	3,503,453
Delinquent PP taxes	3,770	-	3,770
Delinquents held by County	4,620	-	4,620
Accounts	114,388	2,264,987	2,379,375
Interest	12,421	8,539	20,960
Internal balances - interfunds	(44,117)	44,117	-
Due from other governments	8,695	2,234	10,929
Materials and supplies	-	685,393	685,393
Prepaid expenses	8,018	-	8,018
Current portion of loans receivable	205,284	17,717	223,001
Total current assets	\$ 11,663,996	\$ 12,828,489	\$ 24,492,485
Non-current assets			
Restricted assets			
Debt reserve account	\$ -	\$ 178,760	\$ 178,760
Net pension asset	1,351,748	450,582	1,802,330
Total restricted assets	\$ 1,351,748	\$ 629,342	\$ 1,981,090
Other assets			
Internal balances - advances	\$ (1,716,000)	\$ 1,716,000	\$ -
Loans receivable	1,569,683	158,293	1,727,976
Special assessments receivable	480,781	-	480,781
Investment in American Transmission Company	-	1,088,308	1,088,308
Total other assets	\$ 334,464	\$ 2,962,601	\$ 3,297,065
Capital assets			
Land and construction in progress	\$ 14,943,934	\$ 171,021	\$ 15,114,955
Other capital assets, net of accumulated depreciation	25,620,624	21,123,615	46,744,239
Total capital assets	\$ 40,564,558	\$ 21,294,636	\$ 61,859,194
Total non-current assets	\$ 42,250,770	\$ 24,886,579	\$ 67,137,349
Total assets	\$ 53,914,766	\$ 37,715,068	\$ 91,629,834
Deferred outflows of resources			
Deferred outflows related to pension	\$ 2,638,541	\$ 879,512	\$ 3,518,053

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 494,769	\$ 1,250,024	\$ 1,744,793
Accrued wages	2,828	-	2,828
Accrued payroll taxes and benefits	53,641	-	53,641
Due to other governments	65,824	49,137	114,961
Customer deposits	-	987	987
Accrued taxes	-	495,297	495,297
Accrued sales tax	-	26,600	26,600
Accrued interest	119,782	12,718	132,500
Accrued vacation leave	-	36,956	36,956
Commitment to Community	-	105,850	105,850
Unearned revenue	11,500	-	11,500
Current portion of long-term liabilities			
General obligation debt	1,647,669	-	1,647,669
Revenue bonds	-	100,000	100,000
Promissory notes	125,000	-	125,000
Total current liabilities	<u>\$ 2,521,013</u>	<u>\$ 2,077,569</u>	<u>\$ 4,598,582</u>
Non-current liabilities			
Non-current portion of long-term liabilities			
General obligation debt	\$ 10,336,011	\$ -	\$ 10,336,011
Revenue bonds	-	2,030,000	2,030,000
Promissory notes	812,500	-	812,500
Accumulated sick leave	103,953	54,800	158,753
Unamortized debt premium	222,935	53,854	276,789
Total non-current liabilities	<u>\$ 11,475,399</u>	<u>\$ 2,138,654</u>	<u>\$ 13,614,053</u>
Total liabilities	<u>\$ 13,996,412</u>	<u>\$ 4,216,223</u>	<u>\$ 18,212,635</u>
Deferred inflows of resources			
Unearned revenue	\$ 5,384,148	\$ -	\$ 5,384,148
Deferred inflows related to pension	3,184,931	1,061,643	4,246,574
Total deferred inflows of resources	<u>\$ 8,569,079</u>	<u>\$ 1,061,643</u>	<u>\$ 9,630,722</u>
Net position			
Net investment in capital assets	\$ 28,669,448	\$ 19,110,782	\$ 47,780,230
Restricted for			
Debt service	486,264	178,760	665,024
Fire department	73,372	-	73,372
Revolving loans	729,187	-	729,187
ARPA	808,898	-	808,898
Pension	1,351,748	450,582	1,802,330
Unrestricted	1,868,899	13,576,590	15,445,489
Total net position	<u>\$ 33,987,816</u>	<u>\$ 33,316,714</u>	<u>\$ 67,304,530</u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Activities
Year ended December 31, 2022

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,311,454	\$ 299,307	\$ 350	\$ -	\$ (1,011,797)	\$ -	\$ (1,011,797)
Public safety	2,010,768	219,002	104,612	-	(1,687,154)	-	(1,687,154)
Public works	3,002,502	1,132,348	514,558	524,459	(831,137)	-	(831,137)
Health and human services	70,295	35,325	-	-	(34,970)	-	(34,970)
Culture, recreation and education	634,105	33,214	144,330	-	(456,561)	-	(456,561)
Conservation and development	393,884	-	-	-	(393,884)	-	(393,884)
Interest and fees on debt	399,783	-	-	-	(399,783)	-	(399,783)
Total governmental activities	\$ 7,822,791	\$ 1,719,196	\$ 763,850	\$ 524,459	\$ (4,815,286)	\$ -	\$ (4,815,286)
Business-type activities							
Electric and water utility	\$ 19,092,568	\$ 19,553,737	\$ -	\$ 77,208	\$ -	\$ 538,377	\$ 538,377
Total government	\$ 26,915,359	\$ 21,272,933	\$ 763,850	\$ 601,667	\$ (4,815,286)	\$ 538,377	\$ (4,276,909)
General revenues							
Taxes							
General property taxes					\$ 3,818,487	\$ -	\$ 3,818,487
Tax increments					1,425,586	-	1,425,586
Mobile home fees					104,312	-	104,312
Other taxes					133,205	-	133,205
State aids not restricted to specific functions							
Shared revenues					459,328	-	459,328
Exempt computer, personal property and video service provider aids					147,334	-	147,334
Payment in lieu of taxes					1,037	-	1,037
Other income							
Investment income					9,992	137,903	147,895
Gain on sale of property and equipment					24,817	-	24,817
Miscellaneous					229,139	2,262	231,401
Total general revenues					\$ 6,353,237	\$ 140,165	\$ 6,493,402
Transfers					(115,559)	115,559	-
Total general revenues and transfers					\$ 6,237,678	\$ 255,724	\$ 6,493,402
Change in net position					\$ 1,422,392	\$ 794,101	\$ 2,216,493
Net position, Beginning of year					32,565,424	32,522,613	65,088,037
Net position, End of year					\$ 33,987,816	\$ 33,316,714	\$ 67,304,530

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Balance Sheet
Governmental Funds
December 31, 2022

	General	Revolving Loan	TIF District #3	TIF District #4	Nonmajor Governmental	Total Governmental
Assets						
Cash and investments	\$ 4,713,950	\$ 280,275	\$ 148,853	\$ 130,370	\$ 2,574,016	\$ 7,847,464
Receivables						
Taxes and special charges	2,554,283	-	264,646	202,661	481,863	3,503,453
Delinquent PP taxes	3,770	-	-	-	-	3,770
Delinquents held by County	4,620	-	-	-	-	4,620
Accounts	15,450	-	-	-	98,938	114,388
Interest	12,421	-	-	-	-	12,421
Special assessments	-	-	-	-	480,781	480,781
Loans	-	1,386,412	-	-	388,555	1,774,967
Due from other funds	194,110	-	-	-	1,025	195,135
Due from other governments	8,695	-	-	-	-	8,695
Prepaid expenses	5,367	-	-	-	2,651	8,018
Total assets	<u>\$ 7,512,666</u>	<u>\$ 1,666,687</u>	<u>\$ 413,499</u>	<u>\$ 333,031</u>	<u>\$ 4,027,829</u>	<u>\$ 13,953,712</u>
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$ 161,553	\$ -	\$ -	\$ 28,583	\$ 304,633	\$ 494,769
Accrued wages	2,828	-	-	-	-	2,828
Accrued payroll taxes and benefits	53,641	-	-	-	-	53,641
Due to other funds	62,107	-	-	8,920	168,225	239,252
Due to other governments	24,689	-	-	-	41,135	65,824
Unearned revenue	1,409	-	-	500	489,188	491,097
Advances from other funds	-	-	571,000	300,000	845,000	1,716,000
Total liabilities	<u>\$ 306,227</u>	<u>\$ -</u>	<u>\$ 571,000</u>	<u>\$ 338,003</u>	<u>\$ 1,848,181</u>	<u>\$ 3,063,411</u>
Deferred inflows of resources						
Unearned revenue	\$ 3,940,922	\$ -	\$ 413,109	\$ 316,351	\$ 713,766	\$ 5,384,148
Fund balances						
Nonspendable	\$ 5,367	\$ 1,386,412	\$ -	\$ -	\$ 391,206	\$ 1,782,985
Restricted	132,195	280,275	-	-	1,341,540	1,754,010
Assigned	1,042,961	-	-	-	737,106	1,780,067
Unassigned (deficit)	2,084,994	-	(570,610)	(321,323)	(1,003,970)	189,091
Total fund balances	<u>\$ 3,265,517</u>	<u>\$ 1,666,687</u>	<u>\$ (570,610)</u>	<u>\$ (321,323)</u>	<u>\$ 1,465,882</u>	<u>\$ 5,506,153</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,512,666</u>	<u>\$ 1,666,687</u>	<u>\$ 413,499</u>	<u>\$ 333,031</u>	<u>\$ 4,027,829</u>	<u>\$ 13,953,712</u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Position
 December 31, 2022

Total fund balances - governmental funds		\$ 5,506,153
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Long-term receivables are not available to pay current period expenditures and therefore are deferred in the fund statements. Long-term receivables reported in the statement of net position that are deferred in the fund balance sheet are:</p>		
Special assessments		479,597
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position include:</p>		
Governmental capital assets	\$ 70,347,328	
Governmental accumulated depreciation	<u>(29,782,770)</u>	40,564,558
<p>Restricted assets related to the City's participation in the WRS are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position include:</p>		
Net pension asset - WRS		1,351,748
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position include:</p>		
Deferred outflows related to pension	\$ 2,638,541	
Deferred inflows related to pension	<u>(3,184,931)</u>	(546,390)
<p>Governmental funds report premiums associated with the issuance of long-term debt as other financing sources, but these items are amortized over the life of the debt issuance on the statement of activities. Amounts reported for governmental activities in the statement of net position include:</p>		
Unamortized debt premium		(222,935)
<p>Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the fund balance sheet are:</p>		
General obligation debt	\$ 11,983,680	
Promissory notes	937,500	
Accrued interest on long-term debt	119,782	
Accumulated sick leave	<u>103,953</u>	<u>(13,144,915)</u>
Total net position - governmental activities		<u>\$ 33,987,816</u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended December 31, 2022

	General	Revolving Loan	TIF District #3	TIF District #4	Nonmajor Governmental	Total Governmental
Revenues						
General property taxes	\$ 3,818,487	\$ -	\$ -	\$ -	\$ -	\$ 3,818,487
Other taxes	237,517	-	441,257	322,410	661,919	1,663,103
Special assessments	-	-	-	-	112,216	112,216
Intergovernmental revenues	1,239,657	-	75,187	-	524,459	1,839,303
Licenses and permits	242,403	-	-	-	-	242,403
Fines, forfeits and penalties	123,383	-	-	-	-	123,383
Public charges for services	154,829	-	-	-	1,033,936	1,188,765
Intergovernmental charges for services	47,805	-	-	-	-	47,805
Miscellaneous	247,476	6,517	-	4,606	312,100	570,699
Total revenues	\$ 6,111,557	\$ 6,517	\$ 516,444	\$ 327,016	\$ 2,644,630	\$ 9,606,164
Expenditures						
Current						
General government	\$ 1,516,827	\$ -	\$ 1,600	\$ 13,067	\$ 38,224	\$ 1,569,718
Public safety	1,649,625	-	-	-	7,786	1,657,411
Public works	1,340,358	-	-	-	646,821	1,987,179
Health and human services	66,015	-	-	-	-	66,015
Culture, recreation and education	461,959	-	-	-	-	461,959
Conservation and development	7,750	-	1,750	12,562	266,316	288,378
Capital outlay	439,535	-	-	503,665	1,136,039	2,079,239
Debt service						
Principal	1,215,872	62,500	14,128	155,000	411,069	1,858,569
Interest	261,003	-	33,271	60,713	114,432	469,419
Fees	1,304	-	371	600	200	2,475
Total expenditures	\$ 6,960,248	\$ 62,500	\$ 51,120	\$ 745,607	\$ 2,620,887	\$ 10,440,362
Excess (deficiency) of revenues over expenditures	\$ (848,691)	\$ (55,983)	\$ 465,324	\$ (418,591)	\$ 23,743	\$ (834,198)
Other financing sources (uses)						
Debt proceeds	\$ -	\$ -	\$ -	\$ -	\$ 550,000	\$ 550,000
Transfer from TIF District #3 fund	5,000	-	(5,000)	-	-	-
Transfer from TIF District #4 fund	17,500	-	-	(17,500)	-	-
Transfer from TIF District #5 fund	17,500	-	-	-	(17,500)	-
Transfer from TIF District #6 fund	10,000	-	-	-	(10,000)	-
Transfer from TIF District #7 fund	10,000	-	-	-	(10,000)	-
Transfer from city hall remodeling fund	50,000	-	-	-	(50,000)	-
Transfer from enterprise fund - tax equivalent	512,831	-	-	-	-	512,831
Net other financing sources (uses)	\$ 622,831	\$ -	\$ (5,000)	\$ (17,500)	\$ 462,500	\$ 1,062,831
Net change in fund balances	\$ (225,860)	\$ (55,983)	\$ 460,324	\$ (436,091)	\$ 486,243	\$ 228,633
Fund balances (deficit), Beginning of year	3,491,377	1,722,670	(1,030,934)	114,768	979,639	5,277,520
Fund balances (deficit), End of year	\$ 3,265,517	\$ 1,666,687	\$ (570,610)	\$ (321,323)	\$ 1,465,882	\$ 5,506,153

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Government-Wide Statement of Activities
 Year ended December 31, 2022

Net change in fund balances - total governmental funds	\$	228,633
Amounts reported for governmental activities in the statement of activities are different because:		
<p>In the governmental funds, special assessments are reported as revenue when collected. In the statement of activities, however, special assessments are reported as revenue when levied. In the current period, these amounts are:</p>		
Special assessments collected		(112,216)
<p>In the statement of activities, accrued sick leave benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these benefits are measured by the amount paid. In the current period:</p>		
Accrued sick leave benefits paid were greater than benefits earned in the amount of:		5,794
<p>In the governmental funds, pension contributions are reported as an expenditure when paid or payable. However, in the statement of activities, pension expense is adjusted for the net change in pension related deferred outflows, deferred inflows and the net pension liability (asset) during the year. In the current period, these amounts are:</p>		
Change in pension related items - WRS		313,366
<p>Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives as depreciation expense. In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported. In the current period, these amounts are:</p>		
Capital outlays	\$	1,221,039
Depreciation expense		(1,381,698)
Net book value of disposals		<u>(233,206)</u>
		(393,865)
<p>Debt proceeds are reported in the governmental funds as other financing sources, but are reported as an increase in long-term debt in the statement of net position and does not affect the statement of activities. In the current period, these amounts are:</p>		
Proceeds from long-term debt		(550,000)
<p>Repayment of principal on long-term debt is reported as an expenditure in the governmental funds, but is reported as a reduction in long-term liabilities in the statement of net position. In the current period, these amounts consisted of:</p>		
Principal paid on long-term debt		1,858,569
<p>In the governmental funds, interest payments on long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred. In the current period, these amounts are:</p>		
Interest paid	\$	469,419
Interest accrued		<u>(442,888)</u>
		26,531
<p>Governmental funds report the effect of debt premium when the debt is issued, whereas this amount is deferred and amortized in the statement of activities. In the current period, these amounts are:</p>		
Amortization of debt premium		<u>45,580</u>
Change in net position - governmental activities	\$	<u><u>1,422,392</u></u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Net Position
Proprietary Funds
December 31, 2022

Business-Type Activities
Enterprise Funds
Electric and Water Utility

Assets

Current assets

Cash and investments	\$ 9,805,502
Customer accounts receivable	2,159,989
Other accounts receivable	104,998
Interest receivable	8,539
Due from other funds	216,260
Due from other governments	2,234
Materials and supplies	685,393
Current portion of long-term receivables	
Loan receivable	<u>17,717</u>
Total current assets	<u>\$ 13,000,632</u>

Non-current assets

Restricted assets

Debt reserve account	\$ 178,760
Net pension asset	<u>450,582</u>
Total restricted assets	<u>\$ 629,342</u>

Other assets

Advances to other funds	\$ 1,716,000
Loan receivable	158,293
Investment in American Transmission Company	<u>1,088,308</u>
Total other assets	<u>\$ 2,962,601</u>

Capital assets

Land	\$ 54,572
Buildings and building improvements	667,870
Transmission and distribution systems	38,573,380
Furniture and equipment	1,577,298
Construction in progress	<u>116,449</u>

	\$ 40,989,569
Less: Accumulated depreciation	<u>(19,694,933)</u>

Total capital assets	<u>\$ 21,294,636</u>
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Total non-current assets	<u>\$ 24,886,579</u>
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Total assets	<u>\$ 37,887,211</u>
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Deferred outflows of resources

Deferred outflows related to pension	<u>\$ 879,512</u>
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See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Net Position
Proprietary Funds
December 31, 2022

Business-Type Activities
Enterprise Funds
Electric and Water Utility

Liabilities	
Current liabilities	
Accounts payable	\$ 1,250,024
Due to other funds	172,143
Due to other governments	49,137
Customer deposits	987
Accrued taxes	495,297
Accrued sales tax	26,600
Accrued interest	12,718
Accrued vacation leave	36,956
Commitment to Community	105,850
Current portion of long-term liabilities	
Revenue bonds	<u>100,000</u>
Total current liabilities	<u>\$ 2,249,712</u>
Non-current liabilities	
Non-current portion of long-term liabilities	
Revenue bonds	\$ 2,030,000
Accumulated sick leave	54,800
Unamortized debt premium	<u>53,854</u>
Total non-current liabilities	<u>\$ 2,138,654</u>
Total liabilities	<u>\$ 4,388,366</u>
Deferred inflows of resources	
Deferred inflows related to pension	<u>\$ 1,061,643</u>
Net position	
Net investment in capital assets	\$ 19,110,782
Restricted for	
Debt service	178,760
Pension	450,582
Unrestricted	<u>13,576,590</u>
Total net position	<u><u>\$ 33,316,714</u></u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year ended December 31, 2022

	Business-Type Activities Enterprise Funds <u>Electric and Water Utility</u>
Operating revenues	
Electric	\$ 17,574,043
Water	<u>1,979,694</u>
Total operating revenues	<u>\$ 19,553,737</u>
Operating expenses	
Electric	
Operation and maintenance expenses	\$ 16,895,523
Depreciation expense	<u>674,205</u>
Total electric	<u>\$ 17,569,728</u>
Water	
Operation and maintenance expenses	\$ 1,153,909
Depreciation expense	<u>297,709</u>
Total water	<u>\$ 1,451,618</u>
Total operating expenses	<u>\$ 19,021,346</u>
Operating income	
Electric	\$ 4,315
Water	<u>528,076</u>
Total operating income	<u>\$ 532,391</u>
Non-operating revenues (expenses)	
Investment income	\$ 292,093
Net increase (decrease) in the fair value of investments	(154,190)
Merchandising revenue	2,262
Interest expense	(77,576)
Amortization of debt premium	<u>6,354</u>
Net non-operating revenues (expenses)	<u>\$ 68,943</u>
Income before contributions and transfers	\$ 601,334
Capital contributions	77,208
Capital contributions - municipality	628,390
Transfer to general fund - tax equivalent	<u>(512,831)</u>
Change in net position	\$ 794,101
Net position, Beginning of year	<u>32,522,613</u>
Net position, End of year	<u><u>\$ 33,316,714</u></u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2022

	<u>Business-Type Activities Enterprise Funds Electric and Water Utility</u>
Cash flows from operating activities	
Received from customers	\$ 19,692,400
Received from municipality for services	141,261
Paid to suppliers for goods and services	(17,158,614)
Paid for employee wages and benefits	<u>(1,224,351)</u>
Net cash flows from operating activities	<u>\$ 1,450,696</u>
Cash flows from noncapital financing activities	
Paid to municipality for tax equivalent	\$ (512,831)
Repayment of advances to other funds	481,000
Repayment of loan	<u>17,066</u>
Net cash flows from noncapital financing activities	<u>\$ (14,765)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	\$ (337,125)
Salvage on retired plant	20,424
Cost of removal of capital assets	(10,134)
Capital contributions received	77,208
Debt retired	(95,000)
Interest paid	<u>(78,210)</u>
Net cash flows from capital and related financing activities	<u>\$ (422,837)</u>
Cash flows from investing activities	
Investment income	\$ 222,428
Investment in American Transmission Company	<u>(35,122)</u>
Net cash flows from investing activities	<u>\$ 187,306</u>
Net change in cash and cash equivalents	\$ 1,200,400
Cash and cash equivalents, Beginning of year	<u>6,649,986</u>
Cash and cash equivalents, End of year	<u><u>\$ 7,850,386</u></u>
 <u>Non-cash capital and related financing activities</u>	
Capital assets contributed by municipality	<u><u>\$ 628,390</u></u>
Dividends reinvested in American Transmission Company (ATC)	<u><u>\$ 22,850</u></u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2022

Business-Type Activities
Enterprise Funds
Electric and Water Utility

Reconciliation of operating income to net cash flows from operating activities

Operating income	\$	532,391
Non-operating revenues		2,262
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation expense		971,914
Depreciation charged to other accounts		67,349
Changes in assets, deferred outflows, liabilities and deferred inflows		
Customer accounts receivable		39,132
Other accounts receivable		(18,388)
Due from other funds		316,779
Due from other governments		(1,956)
Materials and supplies		(173,427)
Accounts payable		(127,733)
Due to other funds		11,775
Due to other governments		(84)
Customer deposits		225
Accrued expenses		(18,210)
Vacation and sick leave accrued		(25,705)
Customer advances for construction		(25,830)
Commitment to Community		4,657
Pension related asset and deferrals		<u>(104,455)</u>
Net cash flows from operating activities	\$	<u>1,450,696</u>

Reconciliation of cash and cash equivalents to statement of net position

Cash and investments	\$	9,805,502
Debt reserve account		<u>178,760</u>
Total cash and investments	\$	9,984,262
Less: Non-cash investments		<u>(2,133,876)</u>
Cash and cash equivalents	\$	<u>7,850,386</u>

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Custodial Fund Tax Collection Fund
Assets	
Cash and investments	\$ 3,503,905
Taxes receivable	6,245,989
Total assets	\$ 9,749,894
Liabilities	
Due to other governments	9,749,894
Net position	
Fiduciary net position - held for others	\$ -

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City of Sheboygan Falls
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended December 31, 2022

	Custodial Fund Tax Collection Fund
Additions	
Taxes and special charges collected	\$ 7,689,918
Deductions	
Payments to other governments	7,689,918
Change in net position	\$ -
Net position, Beginning of year	-
Net position, End of year	\$ -

See accompanying notes to the basic financial statements.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Sheboygan Falls (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity / Component Units

The City is governed by a mayor and a 6 member elected common council and provides the following services: public safety (police protection, fire protection, inspections and civil defense), streets, sanitation, health and human services, culture, recreation and education, public improvements, planning and zoning and general administrative services. Other services include electric, water and sewage services.

The accompanying financial statements present the activities of the City of Sheboygan Falls. Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are legally separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. All significant activities and organizations with which the City exercises oversight responsibility have been considered for inclusion in the financial statements. The City of Sheboygan Falls is not a component unit of another reporting entity nor does it have any component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and the statement of activities present financial information about the City's governmental and business-type activities as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

B. Government-Wide and Fund Financial Statements - Continued

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental or nonmajor enterprise funds.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund including general debt service payments.

Revolving Loan Fund - This fund accounts for the economic development activities associated with the City's revolving loan program.

TIF District #3 Fund - This fund accounts for activities associated with the design, construction, debt service payments and related costs of TIF District #3.

TIF District #4 Fund - This fund accounts for activities associated with the design, construction, debt service payments and related costs of TIF District #4.

The City also reports the following nonmajor governmental funds:

Sewage Service Fund - This fund accounts for the activities of the sewer department which operates and maintains several lift stations and the main pumping station.

Fire Department Fund Raising Fund - This fund accounts for all fund raising activities of the fire department.

American Rescue Plan Act (ARPA) Fund - This fund accounts for the City's revenue and expenses related to the American Rescue Plan Act.

TIF District #5 Fund - This fund accounts for activities associated with the design, construction, debt service payments and related costs of TIF District #5.

TIF District #6 Fund - This fund accounts for activities associated with the design, construction, debt service payments and related costs of TIF District #6.

TIF District #7 Fund - This fund accounts for activities associated with the design, construction, debt service payments and related costs of TIF District #7.

Capital Improvements Fund - This fund accounts for the financial resources from long-term borrowing and other revenues used for the acquisition, construction or maintenance of capital facilities and other capital assets.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

B. Government-Wide and Fund Financial Statements - Continued

Fund Financial Statements - Continued

Vintage Willow Subdivision Fund - This fund accounts for activities associated with the construction, debt service payments and related costs of Vintage Willow Subdivision.

Water and Sewer Lateral Fund - This fund accounts for activities associated with the multi-year water and sewer lateral replacement project including construction, debt service payments and related costs.

City Hall Remodeling Fund - This fund accounts for the financial resources from long-term borrowing and other revenues used for the city hall remodeling project.

The City reports one proprietary fund type - the enterprise fund.

Enterprise funds are used to account for operations where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Sheboygan Falls Utilities, which accounts for the electric and water operations of the City, is reported in the enterprise fund.

The City reports one fiduciary fund type - the custodial fund.

Custodial funds are used to account for property taxes and special charges collected on behalf of other governmental units.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, 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 are met. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule includes charges between the funds for electric, water and sewer services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Fund Financial Statements

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 they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes are recorded in the year levied as taxes receivable and deferred inflows of resources. Property taxes are recognized as revenues in the succeeding year for which they are levied.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts received before eligibility requirements are met are recorded as liabilities.

Only the portion of special assessments receivable collected during the current year are recorded as revenue. Annual installments due in future years are reflected as unearned revenues.

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

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Electric and Water Utility are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

Cash and Investments

For purposes of the statement of cash flows, the City's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate accounts.

State statutes, and the City's investment policy, permit the City to invest available cash balances in the following:

1. Time deposits in any credit union, bank, savings bank or trust company.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State. Also bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For investments subject to market fluctuation, fair values are based on methods and inputs as outlined in Note 3. Adjustments necessary to record investments at fair value are recorded in the financial statements as net increase (decrease) in the fair value of investments. Fair values may have changed significantly after year end.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Property Taxes and Special Charges Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. The City bills and collects its own property taxes and also collects taxes levied by Sheboygan County, Lakeshore Technical College and the School District of Sheboygan Falls. Property taxes attach an enforceable lien as of January 1. The City collects the taxes through January 31.

Property tax calendar - 2021 tax roll collect 2022

Levy date	December 2021
Tax bills mailed	December 2021
Real estate taxes	
Payment in full or	January 31, 2022
First installment due	January 31, 2022
Second installment due	July 31, 2022
Personal property taxes	
Payment in full	January 31, 2022
Special charges	
Payment in full	January 31, 2022

Property taxes uncollected on January 31 are turned over to Sheboygan County for collection. Sheboygan County pays the remainder of the tax levy (excluding special assessments and special charges) to the City during August. Special assessments and special charges are paid to the City when collected by the County. Delinquent personal property taxes are retained at the local level for collection.

Collection and remittances of taxes and special charges for other governmental units are accounted for in the tax collection custodial fund.

Accounts Receivable

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. Delinquent utility charges and other delinquent accounts receivable may be placed on the tax roll for collection, therefore, no allowance for uncollectible accounts has been provided since such allowance would not be material.

Special Assessments Receivable

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments for the Vintage Willow Subdivision project are due when the related lots are sold by the developer. Accrued interest on unsold lots are added to the special assessment balances. Special assessments related to the water and sewer lateral project are placed on the tax roll on an installment basis with interest.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Loans Receivable

The City established a revolving loan program to promote economic development in the City. The program was funded with a USDA loan, other grants and Utility contributions. Program activity is recorded in the revolving loan fund. The revolving loan fund has made long-term loans to various companies with varying loan terms and payback periods. In conjunction with the revolving loan program, the enterprise fund loaned additional funds to one of the companies. In addition, the TIF District #6 fund and TIF District #7 fund have made loans to developers which will be paid back with interest. Loans outstanding at year end have been reported on the balance sheet and as a component of nonspendable fund balance in the governmental funds.

Internal Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Long-term interfund loans are reported as "advances from and to other funds". Interfund receivables and payables between funds within the governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Materials and Supplies - Proprietary Funds

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued at cost, which approximates market, utilizing the average cost method and charged to construction or expense when used.

Prepaid Expenses

Prepaid expenses represent payments made by the City and Utilities for which benefits extend beyond December 31. In the governmental funds, a portion of fund balance has been classified as nonspendable to signify that a portion of fund balance is not available for other subsequent expenditures.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Investment in American Transmission Company (ATC)

The Electric Utility is a member of the ATC, which was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The Utility transferred its electric transmission assets to the ATC, in exchange for a .04% ownership in the new company. The investment in the ATC can only be redeemed by the ATC or another existing member.

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 Utility has the option to contribute additional funds to maintain their proportionate share of ownership. The asset is valued at the original asset contribution, plus additional cash contributions and reinvested dividends and approximates fair value.

Capital Assets

Capital assets are reported at actual cost or estimated historical costs. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
<u>Governmental Activities</u>			
Land improvements	\$ 5,000	Straight-line	10-25 Years
Buildings and building improvements	5,000	Straight-line	25-50 Years
Infrastructure	5,000	Straight-line	8-100 Years
Furniture and equipment	5,000	Straight-line	5-25 Years
<u>Business-Type Activities</u>			
Buildings and building improvements	500	Straight-line	31-37 Years
Transmission and distribution systems	500	Straight-line	18-77 Years
Furniture and equipment	500	Straight-line	4-20 Years

In the fund financial statements, capital assets used in governmental fund operations are reported as an expenditure when acquired by the City. Capital assets used in proprietary fund operations are accounted for in the same way as in the government-wide financial statements.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position / fund balance that applies to a future period and will not be recognized as an outflow of resources (expense / expenditure) until that future time.

Commitment to Community

The Electric Utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The Utility is acting as an agent administering the program, and accordingly net collections and expenditures / remittances associated with the program are recorded as a current liability on the statement of net position. The Utility elected to join the Focus on Energy Program during 2010.

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term obligations consist primarily of notes, bonds and state trust fund loans payable.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in the proprietary funds is the same as it is in the government-wide financial statements.

For the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position / fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

E. Net Position

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in the following three categories:

Net investment in capital assets - Consists of the historical cost of capital assets less accumulated depreciation less any debt that remains outstanding that was used to finance those assets.

Restricted net position - Consists of net position with constraints placed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position - All other net position is reported in this category.

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

F. Fund Balances

In the governmental fund financial statements, the City's fund balances are displayed in the following five categories:

Nonspendable fund balance - Amounts that are not in a spendable form (such as prepaid expenses or long-term receivables) or are required to be maintained intact.

Restricted fund balance - Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed fund balance - Amounts that can be used only for specific purposes determined by a formal action of the City's Common Council, the highest level of decision making authority for the City.

Assigned fund balance - Amounts that are constrained by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Administrator has the authority to assign funds for the City.

Unassigned fund balance - The residual classification of the City's general fund or any fund balance deficit.

The City's Common Council has the authority to set aside funds for a specific purpose. Any funds set aside as committed fund balance requires the approval of the majority of the Common Council, the City's highest level of decision making authority. Commitments, once made, can only be modified by a majority vote of the Common Council.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

F. Fund Balances - Continued

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first, followed by unrestricted funds as needed. Also, when an expenditure is incurred for which committed, assigned or unassigned funds are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, unless the Common Council has provided otherwise in their commitment or assignment actions.

In the general fund it is the policy of the City to maintain a minimum unassigned fund balance that will maintain working capital to meet the cash flow needs of the City and thus reducing the need for short-term borrowing, serve as a safeguard for unanticipated expenditures and show fiscal responsibility. Per the City's fund balance policy, the unassigned fund balance in the general fund shall be maintained at a level of 25-30% of annual general fund budgeted expenditures and any excess shall be allocated according to City policy.

G. Pensions - Wisconsin Retirement System

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense (revenue), 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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Capital Contributions - Proprietary Funds

Cash and capital assets are contributed to the Utilities by customers, developers, the City and others. The value of property contributed to the Utilities is reported as capital contributions on the statement of revenues, expenses and changes in net position.

I. Employee Benefits

Vacation - City employees are granted vacation in varying amounts, based on length of service and other factors. All accumulated vacation must be taken within 6 months of the employee's anniversary date.

Sick Leave - Certain City employees may accumulate sick leave. Accumulated sick leave is paid at varying percentages at termination, retirement or death.

Pension Plan - City employees participate in the Wisconsin Retirement System, a cost-sharing multiple-employer defined benefit pension plan. See Note 10 for more details.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 1. Summary of Significant Accounting Policies - Continued

J. Tax Equivalent - Proprietary Funds

The Utilities record a transfer to the general fund as an annual payment in lieu of taxes.

K. Utility Charges for Services

Billings are rendered and recorded monthly based on metered usage. The Utilities do not accrue revenues beyond billing dates.

L. Budgetary Accounting

Annual budgets are adopted for the general fund. All annual appropriations lapse at year end, except those intended to accumulate funds for future projects. Reported budget amounts are as originally adopted and as amended by Common Council resolution, if applicable. Generally, the budget is not amended during the year.

M. Limitations on the City's Tax Levy

Wisconsin law limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the percentage change in the City's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 2. Explanation of Differences Between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

a. Long-Term Revenues / Expenses

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. Reporting differences in long-term revenues / expenses include pensions, special assessments and accumulated sick leave benefits.

b. Capital Related Items

Capital related differences include (1) the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale or disposal of assets as reported on the statement of activities and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and capitalization and recording depreciation expense on those items as recorded in the statement of activities.

c. Long-Term Debt Transactions

Long-term debt transaction differences occur because long-term debt proceeds are recorded as other financing sources and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred and principal payments are recorded as a reduction of liabilities.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 2. Explanation of Differences Between Governmental Fund Statements and Government-Wide Statements -
Continued

	Total Governmental Funds	(a) Long-term Revenues / Expenses	(b) Capital Related Items	(c) Long-term Debt Transactions	Statement of Activities Total
<u>Revenues and Other Sources</u>					
Taxes					
General property taxes	\$ 3,818,487	\$ -	\$ -	\$ -	\$ 3,818,487
Tax increments	1,425,586	-	-	-	1,425,586
Mobile home fees	104,312	-	-	-	104,312
Other taxes	133,205	-	-	-	133,205
Special assessments					
Charges for services	112,216	(112,216)	-	-	-
Intergovernmental revenues					
General state aid	606,662	-	-	-	606,662
Operating grants and contributions	707,145	-	-	-	707,145
Capital grants and contributions	524,459	-	-	-	524,459
Payment in lieu of taxes	1,037	-	-	-	1,037
Licenses and permits					
Charges for services	242,403	-	-	-	242,403
Fines, forfeits and penalties					
Charges for services	123,383	-	-	-	123,383
Public charges for services					
Charges for services	1,188,765	-	-	-	1,188,765
Intergovernmental charges for services					
Charges for services	47,805	-	-	-	47,805
Miscellaneous					
Charges for services	116,840	-	-	-	116,840
Operating grants and contributions	56,705	-	-	-	56,705
Investment income	9,992	-	-	-	9,992
Compensation for fixed assets	158,023	-	(133,206)	-	24,817
Miscellaneous	229,139	-	-	-	229,139
Other financing sources					
Debt proceeds	550,000	-	-	(550,000)	-
Transfers in (out)	512,831	-	(628,390)	-	(115,559)
Total revenues and other sources	<u>\$ 10,668,995</u>	<u>\$ (112,216)</u>	<u>\$ (761,596)</u>	<u>\$ (550,000)</u>	<u>\$ 9,245,183</u>
<u>Expenditures / Expenses</u>					
Current					
General government	\$ 1,569,718	\$ (312,189)	\$ 53,925	\$ -	\$ 1,311,454
Public safety	1,657,411	1,332	352,025	-	2,010,768
Public works	1,987,179	(9,053)	1,024,376	-	3,002,502
Health and human services	66,015	-	4,280	-	70,295
Culture, recreation and education	461,959	750	171,396	-	634,105
Conservation and development	288,378	-	105,506	-	393,884
Capital outlay	2,079,239	-	(2,079,239)	-	-
Debt service					
Principal	1,858,569	-	-	(1,858,569)	-
Interest	469,419	-	-	(72,111)	397,308
Fees	2,475	-	-	-	2,475
Total expenditures / expenses	<u>\$ 10,440,362</u>	<u>\$ (319,160)</u>	<u>\$ (367,731)</u>	<u>\$ (1,930,680)</u>	<u>\$ 7,822,791</u>
Net change for year	<u>\$ 228,633</u>	<u>\$ 206,944</u>	<u>\$ (393,865)</u>	<u>\$ 1,380,680</u>	<u>\$ 1,422,392</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 3. Cash and Investments

The City's cash and investments at December 31, 2022 are summarized as follows:

	<u>Carrying Value</u>
Checking and money market	\$ 5,924,198
Wisconsin local government investment pool	10,912,931
U.S. treasury and agency securities	2,131,921
Mutual funds - U.S. government money market fund	120,734
Municipal bonds	2,245,472
Petty cash	375
Total cash and investments	\$ 21,335,631
Cash and investments held by fiduciary funds - Custodial fund	3,503,905
Cash and investments reported on the statement of net position	<u>\$ 17,831,726</u>

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

In addition, the City has collateral or depository insurance agreements with various financial institutions as of December 31, 2022.

The Wisconsin local government investment pool (LGIP) does not have a credit quality rating. It 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, 2022, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported above. A separate financial report for the SIF can be obtained at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 3. Cash and Investments - Continued

Fair Value Measurement

The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2022, the City's investments were classified within the fair value hierarchy as follows:

<u>Investment Type</u>	<u>Fair Value</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
U.S. treasury securities	\$ 1,965,609	\$ -	\$ -	\$ 1,965,609
FHLB	-	166,312	-	166,312
Mutual funds - U.S. gov't. money market fund	120,734	-	-	120,734
Municipal bonds	-	<u>2,245,472</u>	-	<u>2,245,472</u>
Totals	<u>\$ 2,086,343</u>	<u>\$ 2,411,784</u>	<u>\$ -</u>	<u>\$ 4,498,127</u>

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

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's investment policy addresses this risk by requiring full collateralization of all deposit accounts. As of December 31, 2022, \$4,803,196 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. All amounts were collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the City's name.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any investments exposed to custodial credit risk. The City's investment policy addresses this risk by stating that securities will be held by an independent third party custodian in the City's name.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 3. Cash and Investments - Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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.

As of December 31, 2022, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
FHLB	Aaa	AAA
Mutual funds - U.S. government money market fund	Aaa	AAA
Municipal bonds	Aaa - Aa3	AAA - AA-

The City's investment in U.S. treasury securities are exempt from disclosure. The City's investment in the Wisconsin local government investment pool is not rated.

The City's investment policy addresses this risk by limiting investments to the types of securities approved in the investment policy and by pre-qualifying financial institutions, brokers / dealers, intermediaries and advisors which the City does business with. Additionally, the City diversifies the investment portfolio in an effort to minimize the impact of potential losses from any one type of security or individual issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

As of December 31, 2022, the City had no investments in any one issuer (other than U.S. treasury securities and the LGIP) that represent 5% or more of total City investments.

The City's investment policy addresses this risk by diversifying the City's portfolio. The City will invest in securities with varying maturities, continuously investing in readily available funds such as the LGIP, limiting maturities on investments and avoiding over investing in securities from a specific issuer or business.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 3. 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.

As of December 31, 2022, the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
Wisconsin local government investment pool	\$ 10,912,931	\$ 10,912,931	\$ -	\$ -
U.S. treasury securities	1,965,609	198,961	1,497,210	269,438
FHLB	166,312	-	166,312	-
Mutual funds - U.S. gov't. money market fund	120,734	120,734	-	-
Municipal bonds	<u>2,245,472</u>	<u>247,633</u>	<u>1,586,879</u>	<u>410,960</u>
Totals	<u>\$ 15,411,058</u>	<u>\$ 11,480,259</u>	<u>\$ 3,250,401</u>	<u>\$ 680,398</u>

The City's investment policy addresses this risk by requiring that operating funds be invested primarily in shorter-term securities, money market funds or the Wisconsin local government investment pool.

Note 4. Restricted Assets

Restricted Accounts

Certain proceeds of the Utility's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following account is reported as restricted assets:

Debt Reserve - Used to report resources set aside for potential debt service payment deficiencies.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 5. Capital Assets

Capital asset balances and activity for the year ended December 31, 2022 were as follows:

	Balances 12/31/2021	Additions	Deletions	Balances 12/31/2022
Governmental activities				
Capital assets				
Land	\$ 14,927,715	\$ 151,000	\$ 200,000	\$ 14,878,715
Land improvements	1,371,888	-	-	1,371,888
Buildings and building improvements	11,556,679	65,615	-	11,622,294
Infrastructure	35,762,022	615,382	-	36,377,404
Furniture and equipment	6,422,264	361,555	752,011	6,031,808
Construction in progress	37,732	27,487	-	65,219
Total capital assets	<u>\$ 70,078,300</u>	<u>\$ 1,221,039</u>	<u>\$ 952,011</u>	<u>\$ 70,347,328</u>
Less accumulated depreciation for				
Land improvements	\$ 1,078,886	\$ 33,583	\$ -	\$ 1,112,469
Buildings and building improvements	4,410,101	203,092	-	4,613,193
Infrastructure	19,772,116	750,260	-	20,522,376
Furniture and equipment	3,858,774	394,763	718,805	3,534,732
Total accumulated depreciation	<u>\$ 29,119,877</u>	<u>\$ 1,381,698</u>	<u>\$ 718,805</u>	<u>\$ 29,782,770</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 40,958,423</u>	<u>\$ (160,659)</u>	<u>\$ 233,206</u>	<u>\$ 40,564,558</u>
Business-type activities				
Capital assets				
Land	\$ 54,572	\$ -	\$ -	\$ 54,572
Buildings and building improvements	667,870	-	-	667,870
Transmission and distribution systems	37,697,932	920,681	45,233	38,573,380
Furniture and equipment	1,471,622	105,676	-	1,577,298
Construction in progress	177,291	116,449	177,291	116,449
Total capital assets	<u>\$ 40,069,287</u>	<u>\$ 1,142,806</u>	<u>\$ 222,524</u>	<u>\$ 40,989,569</u>
Less accumulated depreciation for				
Buildings and building improvements	\$ 515,549	\$ 11,767	\$ -	\$ 527,316
Transmission and distribution systems	16,714,789	982,312	55,367	17,641,734
Furniture and equipment	1,460,275	65,608	-	1,525,883
Total accumulated depreciation	<u>\$ 18,690,613</u>	<u>\$ 1,059,687</u>	<u>\$ 55,367</u>	<u>\$ 19,694,933</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 21,378,674</u>	<u>\$ 83,119</u>	<u>\$ 167,157</u>	<u>\$ 21,294,636</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 53,925
Public safety	298,644
Public works	918,347
Health and human services	4,280
Culture, recreation and education	100,996
Conservation and development	5,506
Total depreciation expense for governmental activities	<u>\$ 1,381,698</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 6. Long-Term Liabilities

Long-term liability balances and activity for the year ended December 31, 2022 were as follows:

<u>Type</u>	Balances 12/31/2021	Additions	Reductions	Balances 12/31/2022	Amounts Due in One Year
General obligation debt*	\$ 13,229,749	\$ 550,000	\$ 1,796,069	\$ 11,983,680	\$ 1,647,669
Revenue bonds	2,225,000	-	95,000	2,130,000	100,000
Promissory notes	1,000,000	-	62,500	937,500	125,000
Accumulated sick leave	189,503	-	30,750	158,753	-
Unamortized debt premium	328,723	-	51,934	276,789	-
Totals	<u>\$ 16,972,975</u>	<u>\$ 550,000</u>	<u>\$ 2,036,253</u>	<u>\$ 15,486,722</u>	<u>\$ 1,872,669</u>

Notes, bonds and other long-term liability payments are made by the general fund, TIF District funds, revolving loan fund, Vintage Willow Subdivision fund, water and sewer lateral fund and enterprise fund, therefore the above long-term liabilities are reported in the governmental activities and business-type activities on the government-wide statements. The breakdown between governmental activities and business-type activities as of December 31, 2022 is as follows:

<u>Type</u>	Total	Governmental Activities	Business-Type Activities
General obligation debt*	\$ 11,983,680	\$ 11,983,680	\$ -
Revenue bonds	2,130,000	-	2,130,000
Promissory notes	937,500	937,500	-
Accumulated sick leave	158,753	103,953	54,800
Unamortized debt premium	276,789	222,935	53,854
Totals	<u>\$ 15,486,722</u>	<u>\$ 13,248,068</u>	<u>\$ 2,238,654</u>

Total interest paid and accrued during the year on long-term notes, bonds and other long-term liabilities were as follows:

<u>Type</u>	Paid	Accrued
General obligation debt	\$ 403,509	\$ 376,978
Revenue bonds	78,210	77,576
Advances	65,910	65,910
Totals	<u>\$ 547,629</u>	<u>\$ 520,464</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 6. Long-Term Liabilities - Continued

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City, including business-type activity debt, if any. General obligation debt is expected to be repaid with general property taxes, tax increments and special assessments. General obligation debt at December 31, 2022 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balances 12/31/2022</u>
Refunding bonds*	11/22/11	3.90%	03/01/25	\$ 75,000
Refunding bonds*	02/11/14	3.00 - 4.00%	04/01/33	5,065,000
Notes*	05/30/18	3.15 - 3.55%	05/01/28	930,000
Notes*	05/30/18	2.35 - 3.00%	05/01/28	1,765,000
State trust fund loan*	12/06/19	3.75%	03/15/39	1,283,807
Notes*	05/06/21	1.70%	04/21/23	550,000
Notes*	05/27/21	3.10%	05/27/27	519,873
Community development bonds*	07/07/21	1.20 - 2.00%	05/01/34	<u>1,795,000</u>
Total				<u>\$ 11,983,680</u>

Maturities of General Obligation Debt

Aggregate cash flow requirements for the retirement of general obligation debt principal and interest as of December 31, 2022 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,647,669	\$ 364,391	\$ 2,012,060
2024	1,083,218	325,816	1,409,034
2025	1,159,293	290,511	1,449,804
2026	1,110,447	253,916	1,364,363
2027	1,067,514	216,029	1,283,543
2028-2032	4,283,499	607,017	4,890,516
2033-2037	1,436,102	104,200	1,540,302
2038-2039	<u>195,938</u>	<u>11,088</u>	<u>207,026</u>
Totals	<u>\$ 11,983,680</u>	<u>\$ 2,172,968</u>	<u>\$ 14,156,648</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 6. Long-Term Liabilities - Continued

Revenue Bond Debt

Revenue bond debt has been issued by the Utilities and is expected to be repaid with income derived from the acquired or constructed assets. Revenue bond debt at December 31, 2022 is comprised of the following issue:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate (%)</u>	<u>Date of Maturity</u>	<u>Balance 12/31/2022</u>
Revenue bonds	12/20/18	3.00 - 4.00%	05/01/38	<u>\$ 2,130,000</u>

Maturities of Revenue Bond Debt

Aggregate cash flow requirements for the retirement of revenue bond debt principal and interest as of December 31, 2022 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 100,000	\$ 74,310	\$ 174,310
2024	105,000	70,210	175,210
2025	110,000	65,910	175,910
2026	115,000	61,410	176,410
2027	120,000	56,710	176,710
2028-2032	650,000	223,305	873,305
2033-2037	760,000	107,575	867,575
2038	170,000	3,400	173,400
Totals	<u>\$ 2,130,000</u>	<u>\$ 662,830</u>	<u>\$ 2,792,830</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 6. Long-Term Liabilities - Continued

Other Long-Term Debt - Promissory Notes

A promissory note has been issued by the City and is expected to be repaid with payments from Pine Haven Christian Homes. Other long-term debt at December 31, 2022 is comprised of the following issue:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate (%)</u>	<u>Date of Maturity</u>	<u>Balance 12/31/2022</u>
Promissory note - USDA loan	06/17/20	0.00%	06/30/30	<u>\$ 937,500</u>

Maturities of Other Long-Term Debt

Aggregate cash flow requirements for the retirement of other long-term debt principal and interest as of December 31, 2022 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 125,000	\$ -	\$ 125,000
2024	125,000	-	125,000
2025	125,000	-	125,000
2026	125,000	-	125,000
2027	125,000	-	125,000
2028-2030	<u>312,500</u>	-	<u>312,500</u>
Totals	<u>\$ 937,500</u>	<u>\$ -</u>	<u>\$ 937,500</u>

General Obligation Debt Limit Calculation

The 2022 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$827,033,100. The legal debt limit and margin of indebtedness as of December 31, 2022, in accordance with Section 67.03(1) of the Wisconsin Statutes follows:

Debt limit (5% of \$827,033,100)	\$ 41,351,655
Deduct long-term debt applicable to debt margin*	<u>(11,983,680)</u>
Margin of indebtedness	<u>\$ 29,367,975</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 7. Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements as of December 31, 2022 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Enterprise fund	\$ 172,143
General fund	Water and sewer lateral fund	21,967
Capital improvements fund	Fire department fund raising fund	1,025
Enterprise fund	General fund	62,107
Enterprise fund	Sewage service fund	20,508
Enterprise fund	TIF District #4 fund	8,920
Enterprise fund	TIF District #5 fund	<u>124,725</u>
Total		<u>\$ 411,395</u>

The principal purpose of these interfund balances result from the time lag between the dates the goods or services are provided or reimbursable expenditures occur and payment between funds are made. Budgeted transfers during the year are detailed on the fund financial statements. Transfers of capital assets from the TIF Districts to the enterprise fund of \$628,390 are reported on the government-wide statement of activities.

In addition, the enterprise fund has advanced the TIF District #3 fund \$571,000, TIF District #4 fund \$300,000, TIF District #5 fund \$223,000, TIF District #6 fund \$125,000 and TIF District #7 fund \$497,000. These advances will be repaid with future debt proceeds and / or tax increments.

Note 8. Fund Balances

Details of the City's fund balances as of December 31, 2022 are as follows:

	<u>General</u>	<u>Revolving Loan</u>	<u>TIF District #3</u>	<u>TIF District #4</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund Balances						
Nonspendable						
Prepaid expenses	\$ 5,367	\$ -	\$ -	\$ -	\$ 2,651	\$ 8,018
Long-term receivables	-	1,386,412	-	-	388,555	1,774,967
Restricted for						
Debt service	132,195	-	-	-	-	132,195
Revolving loans	-	280,275	-	-	-	280,275
Fire department fund raising	-	-	-	-	70,721	70,721
ARPA	-	-	-	-	808,898	808,898
Capital improvements	-	-	-	-	254,573	254,573
Vintage Willow subdivision	-	-	-	-	86,307	86,307
City hall remodeling	-	-	-	-	121,041	121,041
Assigned to						
Sewage service	-	-	-	-	737,106	737,106
Other	1,042,961	-	-	-	-	1,042,961
Unassigned (deficit)	<u>2,084,994</u>	<u>-</u>	<u>(570,610)</u>	<u>(321,323)</u>	<u>(1,003,970)</u>	<u>189,091</u>
Total fund balances	<u>\$ 3,265,517</u>	<u>\$ 1,666,687</u>	<u>\$ (570,610)</u>	<u>\$ (321,323)</u>	<u>\$ 1,465,882</u>	<u>\$ 5,506,153</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 8. Fund Balances - Continued

As of December 31, 2022, the TIF District #3 fund had a fund balance deficit of \$570,610, TIF District #4 fund had a fund balance deficit of \$321,323, TIF District #5 fund had a fund balance deficit of \$347,330, TIF District #7 fund had a fund balance deficit of \$264,936 and the water and sewer lateral fund had a fund balance deficit of \$35,772.

Assigned fund balance in the general fund as of December 31, 2022 includes the City's current plans for accumulating funds for use in subsequent periods as follows:

<u>Assigned to:</u>	<u>Amount</u>
Employee benefits and insurance	\$ 213,980
Elections	5,800
Police equipment	3,692
Police vehicles	37,181
Crime prevention / K-9 fund	18,639
Fire department	6,888
Fire department trucks	28,105
Fire department fire dues	17,055
Engineering	16,663
Public works building improvements	29,872
Pine Haven PILOT	222,824
Lift station improvements	85,767
Park development	115,868
Park shelter improvements	38,846
Settlers park improvements	2,733
West side park development	20,559
Downtown parking	20,000
Economic development	<u>158,489</u>
Total	<u>\$ 1,042,961</u>

Note 9. Capital Improvements Fund

Fund balance in the capital improvements fund was restricted for the following projects as of December 31, 2022:

<u>Project</u>	<u>Amount</u>
General government	\$ 315
Police department	29,134
Fire department	31,648
Public works department	<u>193,476</u>
Total	<u>\$ 254,573</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 10. Defined Benefit Pension Plan

General Information about the Pension Plan

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, 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 employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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

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

The WRS also provides death and disability benefits for employees.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 10. Defined Benefit Pension Plan - 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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%
2018	2.4%	17.0%
2019	0.0%	-10.0%
2020	1.7%	21.0%
2021	5.1%	13.0%

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, executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

For the year ended December 31, 2022, the WRS recognized \$262,905 in contributions from the employer.

Contribution rates as of December 31, 2022 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.50%	6.50%
Protective with social security	6.50%	12.00%
Protective without social security	6.50%	16.40%

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 10. Defined Benefit Pension Plan - Continued

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

At December 31, 2022, the City reported an asset of \$1,802,330 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.02236091%, which was an increase of 0.00025130% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension revenue of \$154,916.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 2,911,573	\$ 209,955
Net differences between projected and actual earnings on pension plan investments	-	4,031,963
Changes in assumptions	336,253	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,322	4,656
Employer contributions subsequent to the measurement date	<u>262,905</u>	<u>-</u>
Totals	<u>\$ 3,518,053</u>	<u>\$ 4,246,574</u>

\$262,905 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (revenue) as follows:

<u>Year</u>	
2023	\$ (82,747)
2024	(487,140)
2025	(214,617)
2026	<u>(206,922)</u>
Total	<u>\$ (991,426)</u>

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 10. Defined Benefit Pension Plan - Continued

Actuarial Assumptions

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2020
Measurement date of net pension liability (asset)	December 31, 2021
Experience study	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Long-term expected rate of return	6.8%
Discount rate	6.8%
Salary increases	
Inflation	3.0%
Seniority / Merit	0.1% - 5.6%
Mortality	2020 WRS experience mortality table
Post-retirement adjustments*	1.7%

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

Long-Term Expected Return on Plan Assets

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

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 10. Defined Benefit Pension Plan - Continued

Long-Term Expected Return on Plan Assets - Continued

Asset Allocation Targets and Expected Returns as of December 31, 2021

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0%	4.3%	1.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%
Real Estate	7.0%	5.6%	3.0%
Private Equity / Debt	12.0%	9.7%	7.0%
Total Core Fund	115.0%	6.6%	4.0%
 <u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0%	7.2%	4.6%
Total Variable Fund	100.0%	6.8%	4.2%

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%.

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 10. Defined Benefit Pension Plan - 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 6.80 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 (5.80 percent) or 1-percentage point higher (7.80 percent) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City's proportionate share of the net pension liability (asset)	<u>\$ 1,278,881</u>	<u>\$ (1,802,330)</u>	<u>\$ (4,020,229)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Payables to the Pension Plan

Payables to the pension plan at December 31, 2022 were \$53,314. This represents the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.

Note 11. Tax Incremental Financing Districts

The City currently has five tax incremental financing (TIF) districts. Tax incremental financing, as authorized by Section 66.46 of the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs through the increase in valuation in the TIF designated area. The City has financed the development and improvements within the TIF Districts through the issuance of general obligation debt and advances from the enterprise fund. It is the intention of the City to recover all project costs and debt service payments due prior to termination of the respective districts.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 11. Tax Incremental Financing Districts - Continued

TIF District #3

TIF District #3 was created to promote industrial and commercial development in the City. Prior project costs include the relocation of a water tower, construction of a booster station, related power supply costs, cleaning, grading and compacting soil, construction of an access road and the construction of sewer mains, water mains and electrical distribution systems. TIF District #3 was amended during 2006 to include the development of Vision Business Park and was again amended during 2012 to allow for additional costs related to Vision Business Park including the restoration of the railroad and developer incentives.

TIF District #3 transactions are summarized as follows as of December 31, 2022.

	<u>2022</u>	<u>Cumulative</u>
Sources of funds		
Debt proceeds	\$ -	\$ 4,300,000
Tax increment	441,257	7,675,376
Exempt computer aid	75,187	751,169
Personal property aid	-	3,717
Sale of property	-	39,810
Refund of expenditures	-	90,000
Total sources of funds	<u>\$ 516,444</u>	<u>\$ 12,860,072</u>
Uses of funds		
Capital expenditures	\$ -	\$ 6,993,313
Developer incentives	-	331,153
Professional fees and administration expense	8,350	99,562
Debt service		
Principal	14,128	4,247,021
Interest	33,271	1,682,130
Fees	371	371
Debt issue costs	-	77,132
Total uses of funds	<u>\$ 56,120</u>	<u>\$ 13,430,682</u>
Excess sources over (under) uses	\$ 460,324	\$ (570,610)
Fund balance (deficit), Beginning	<u>(1,030,934)</u>	<u>-</u>
Fund balance (deficit), Ending	<u>\$ (570,610)</u>	<u>\$ (570,610)</u>
<u>Outstanding debt</u>		
Bonds payable		\$ 52,979
Advance from enterprise fund		<u>571,000</u>
Total		<u>\$ 623,979</u>
District termination date		2024

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 11. Tax Incremental Financing Districts - Continued

TIF District #4

TIF District #4 was created to promote commercial and residential development within the Plankview Green Commercial District. Project costs include the construction of roads, sidewalks, storm sewers and detention ponds, sanitary sewers, water mains and possible developer incentives.

TIF District #4 transactions are summarized as follows as of December 31, 2022.

	<u>2022</u>	<u>Cumulative</u>
Sources of funds		
Debt proceeds	\$ -	\$ 2,855,000
Tax increment	322,410	840,327
Personal property aid	-	7
Economic development fees	-	37,542
Investment income	4,606	4,848
Debt premium	-	61,674
TIF shortfall payments	-	7,452
	<u> </u>	<u> </u>
Total sources of funds	\$ 327,016	\$ 3,806,850
Uses of funds		
Capital expenditures	\$ 503,665	\$ 3,383,476
Professional fees and administration expense	43,129	163,692
Debt service		
Principal	155,000	300,000
Interest	60,713	196,815
Fees	600	600
Debt issue costs	-	83,590
	<u> </u>	<u> </u>
Total uses of funds	\$ 763,107	\$ 4,128,173
Excess sources over (under) uses	\$ (436,091)	\$ (321,323)
Fund balance (deficit), Beginning	<u>114,768</u>	<u>-</u>
Fund balance (deficit), Ending	<u>\$ (321,323)</u>	<u>\$ (321,323)</u>
 <u>Outstanding debt</u>		
Notes payable		\$ 760,000
Bonds payable		1,795,000
Advance from enterprise fund		<u>300,000</u>
Total		<u>\$ 2,855,000</u>
District termination date		2036

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 11. Tax Incremental Financing Districts - Continued

TIF District #5

TIF District #5 was created to promote further industrial and commercial development in Vision Business Park. Project costs include construction of roads, economic development improvements and developer incentives.

TIF District #5 transactions are summarized as follows as of December 31, 2022.

	<u>2022</u>	<u>Cumulative</u>
Sources of funds		
Debt proceeds	\$ -	\$ 270,000
Tax increment	313,366	469,897
Sale of property	<u>20</u>	<u>60</u>
Total sources of funds	<u>\$ 313,386</u>	<u>\$ 739,957</u>
Uses of funds		
Capital expenditures	\$ 124,725	\$ 371,378
Developer incentives	57,940	312,480
Professional fees and administration expense	39,273	243,992
Debt service		
Principal	50,000	100,000
Interest	17,258	52,459
Fees	200	200
Debt issue costs	<u>-</u>	<u>6,778</u>
Total uses of funds	<u>\$ 289,396</u>	<u>\$ 1,087,287</u>
Excess sources over (under) uses	\$ 23,990	\$ (347,330)
Fund balance (deficit), Beginning	<u>(371,320)</u>	<u>-</u>
Fund balance (deficit), Ending	<u>\$ (347,330)</u>	<u>\$ (347,330)</u>
<u>Outstanding debt</u>		
Notes payable		\$ 170,000
Advance from enterprise fund		<u>223,000</u>
Total		<u>\$ 393,000</u>
District termination date		2039

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 11. Tax Incremental Financing Districts - Continued

TIF District #6

TIF District #6 was created to assist with the development of affordable senior housing at the former middle school site. Project costs include developer incentives.

TIF District #6 transactions are summarized as follows as of December 31, 2022.

	<u>2022</u>	<u>Cumulative</u>
Sources of funds		
Debt proceeds	\$ -	\$ 1,375,000
Tax increment	208,118	214,153
Administration fees	-	25,000
Interest on developer note	7,441	7,441
TIF shortfall payments	-	100,751
Refund of expenses	<u>150,000</u>	<u>150,000</u>
Total sources of funds	<u>\$ 365,559</u>	<u>\$ 1,872,345</u>
Uses of funds		
Developer incentives	\$ 25,000	\$ 1,550,000
Professional fees and administration expense	14,020	70,686
Debt service		
Principal	53,369	91,193
Interest	<u>55,694</u>	<u>127,843</u>
Total uses of funds	<u>\$ 148,083</u>	<u>\$ 1,839,722</u>
Excess sources over (under) uses	\$ 217,476	\$ 32,623
Fund balance (deficit), Beginning	<u>(184,853)</u>	<u>-</u>
Fund balance (deficit), Ending	<u>\$ 32,623</u>	<u>\$ 32,623</u>
<u>Outstanding debt</u>		
State trust fund loan		\$ 1,283,807
Advance from enterprise fund		<u>125,000</u>
Total		<u>\$ 1,408,807</u>
District termination date		2046

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 11. Tax Incremental Financing Districts - Continued

TIF District #7

TIF District #7 was created to assist with the development of resident workforce housing in the downtown area. Project costs include property tax rebates to the developer, bridge improvements and dam repairs.

TIF District #7 transactions are summarized as follows as of December 31, 2022.

	<u>2022</u>	<u>Cumulative</u>
Sources of funds		
Tax increment	\$ 140,435	\$ 151,444
Interest on developer note	7,221	14,721
TIF shortfall payments	<u>57,309</u>	<u>57,309</u>
Total sources of funds	<u>\$ 204,965</u>	<u>\$ 223,474</u>
Uses of funds		
Capital expenditures	\$ -	\$ 210,018
Developer incentives	160,857	169,524
Professional fees and administration expense	13,850	80,438
Debt service		
Interest	<u>15,630</u>	<u>28,430</u>
Total uses of funds	<u>\$ 190,337</u>	<u>\$ 488,410</u>
Excess sources over (under) uses	\$ 14,628	\$ (264,936)
Fund balance (deficit), Beginning	<u>(279,564)</u>	<u>-</u>
Fund balance (deficit), Ending	<u>\$ (264,936)</u>	<u>\$ (264,936)</u>
 <u>Outstanding debt</u>		
Advance from enterprise fund		<u>\$ 497,000</u>
District termination date		2046

Note 12. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, errors and omissions, workers compensation and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

City of Sheboygan Falls
Notes to the Basic Financial Statements
Year ended December 31, 2022

Note 13. Commitments and Contingencies

Long-Term Contracts - Alliant Energy

Effective May 11, 2016 the Utility renewed its electric power supply contract with Alliant Energy for a 10-year period. Contract payments are based on the Utility's electric usage.

Claims and Judgments

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of City management 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.

Federal and State Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. Management believes such disallowances, if any, would be immaterial.

Construction Projects

The City and Utilities have active construction projects as of December 31, 2022. Work that has been completed, but not yet paid for (including contract retainages) is reflected as accounts payable and expenses.

Note 14. Subsequent Events

Debt Issuances

On May 6, 2021 the City issued general obligation promissory notes in the amount of \$1,575,000 for the 2021-2023 capital improvement projects. The City will draw \$585,000 during August 2023 for the 2023 projects.

Electric Rate Increase

The Electric Utility started a rate case study during 2022. The Wisconsin Public Service Commission (PSC) is currently reviewing the application. A rate increase of 10% to 14% is anticipated in late 2023 or early 2024.

Required Supplementary Information

City of Sheboygan Falls
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
General property taxes	\$ 3,818,486	\$ 3,818,487	\$ 1
Other taxes	186,800	237,517	50,717
Intergovernmental revenues	1,191,280	1,239,657	48,377
Licenses and permits	180,000	242,403	62,403
Fines, forfeits and penalties	80,000	123,383	43,383
Public charges for services	125,500	154,829	29,329
Intergovernmental charges for services	52,500	47,805	(4,695)
Miscellaneous	104,862	247,476	142,614
Total revenues	\$ 5,739,428	\$ 6,111,557	\$ 372,129
Expenditures			
Current			
General government	\$ 1,478,651	\$ 1,516,827	\$ (38,176)
Public safety	1,606,810	1,649,625	(42,815)
Public works	1,267,655	1,340,358	(72,703)
Health and human services	45,438	66,015	(20,577)
Culture, recreation and education	449,692	461,959	(12,267)
Conservation and development	-	7,750	(7,750)
Capital outlay	56,300	439,535	(383,235)
Debt service			
Principal	1,215,872	1,215,872	-
Interest	260,905	261,003	(98)
Fees	2,600	1,304	1,296
Total expenditures	\$ 6,383,923	\$ 6,960,248	\$ (576,325)
Excess (deficiency) of revenues over expenditures	\$ (644,495)	\$ (848,691)	\$ (204,196)
Other financing sources (uses)			
Transfer from TIF District #3 fund	\$ 5,000	\$ 5,000	\$ -
Transfer from TIF District #4 fund	17,500	17,500	-
Transfer from TIF District #5 fund	17,500	17,500	-
Transfer from TIF District #6 fund	10,000	10,000	-
Transfer from TIF District #7 fund	10,000	10,000	-
Transfer from city hall remodeling fund	50,000	50,000	-
Transfer from enterprise fund - tax equivalent	534,495	512,831	(21,664)
Net other financing sources (uses)	\$ 644,495	\$ 622,831	\$ (21,664)
Net change in fund balance	\$ -	\$ (225,860)	\$ (225,860)
Fund balance, Beginning of year	3,491,377	3,491,377	-
Fund balance, End of year	\$ 3,491,377	\$ 3,265,517	\$ (225,860)

See accompanying notes to required supplementary information.

City of Sheboygan Falls
Schedules of Proportionate Share of the Net Pension
Liability (Asset) and Employer Contributions
Wisconsin Retirement System
Last Ten Fiscal Years
December 31, 2022

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/21	0.02236091%	\$ (1,802,330)	\$ 2,987,512	-60.33%	106.02%
12/31/20	0.02210961%	(1,380,333)	3,012,332	-45.82%	105.26%
12/31/19	0.02140140%	(690,078)	2,805,976	-24.59%	102.96%
12/31/18	0.02096290%	745,794	2,662,220	28.01%	96.45%
12/31/17	0.02042840%	(606,543)	2,561,010	-23.68%	102.93%
12/31/16	0.02009478%	165,629	2,528,429	6.55%	99.12%
12/31/15	0.02027202%	329,416	2,441,953	13.49%	98.20%
12/31/14	0.02068980%	(508,198)	2,401,593	-21.16%	102.74%

Schedule of Employer Contributions - Wisconsin Retirement System

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/22	\$ 262,905	\$ 262,905	\$ -	\$ 3,065,956	8.57%
12/31/21	259,102	259,102	-	2,987,512	8.67%
12/31/20	260,684	260,684	-	3,012,332	8.65%
12/31/19	227,154	227,154	-	2,805,976	8.10%
12/31/18	220,941	220,941	-	2,662,220	8.30%
12/31/17	212,900	212,900	-	2,561,010	8.31%
12/31/16	193,780	193,780	-	2,528,429	7.66%
12/31/15	191,871	191,871	-	2,441,953	7.86%

See accompanying notes to required supplementary information.

City of Sheboygan Falls
Notes to Required Supplementary Information
Year ended December 31, 2022

Note 1. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting as described in Note 1.

The budgeted amounts as presented reflect the original budget for the City. No budget amendments were adopted during the year. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by Council action.

Appropriations lapse at year end unless specifically carried over.

The following functions in the general fund had an excess of actual expenditures over budget for the year ended December 31, 2022.

<u>Function</u>	<u>Excess Expenditures</u>
General government	\$ 38,176
Public safety	42,815
Public works	72,703
Health and human services	20,577
Culture, recreation and education	12,267
Conservation and development	7,750
Capital outlay	383,235
Debt service	
Interest	98

City of Sheboygan Falls
Notes to Required Supplementary Information
Year ended December 31, 2022

Note 2. Wisconsin Retirement System

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

Changes of assumptions: The assumptions used to measure the total pension liability for the pension plan are summarized below.

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

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

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

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

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

Other Supplementary Information

City of Sheboygan Falls
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Sewage Service	Fire Department Fund Raising	ARPA	TIF District #5	TIF District #6	TIF District #7	Capital Improvements	Vintage Willow Subdivision	Water and Sewer Lateral	City Hall Remodeling	Total
Assets											
Cash and investments	\$ 757,438	\$ 71,746	\$ 808,898	\$ 166,986	\$ 6,507	\$ 84,546	\$ 513,463	\$ 43,391	\$ -	\$ 121,041	\$ 2,574,016
Receivables											
Taxes and special charges	-	-	-	296,962	11,277	149,015	-	-	24,609	-	481,863
Accounts	85,704	-	-	-	-	-	325	12,909	-	-	98,938
Special assessments	-	-	-	-	-	-	-	286,865	193,916	-	480,781
Loans	-	-	-	-	157,442	231,113	-	-	-	-	388,555
Due from other funds	-	-	-	-	-	-	1,025	-	-	-	1,025
Prepaid expenses	-	2,651	-	-	-	-	-	-	-	-	2,651
Total assets	\$ 843,142	\$ 74,397	\$ 808,898	\$ 463,948	\$ 175,226	\$ 464,674	\$ 514,813	\$ 343,165	\$ 218,525	\$ 121,041	\$ 4,027,829
Liabilities, deferred inflows of resources and fund balances											
Liabilities											
Accounts payable	\$ 44,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,240	\$ -	\$ -	\$ -	\$ 304,633
Due to other funds	20,508	1,025	-	124,725	-	-	-	-	21,967	-	168,225
Due to other governments	41,135	-	-	-	-	-	-	-	-	-	41,135
Unearned revenue	-	-	-	-	-	-	-	256,858	232,330	-	489,188
Advances from other funds	-	-	-	223,000	125,000	497,000	-	-	-	-	845,000
Total liabilities	\$ 106,036	\$ 1,025	\$ -	\$ 347,725	\$ 125,000	\$ 497,000	\$ 260,240	\$ 256,858	\$ 254,297	\$ -	\$ 1,848,181
Deferred inflows of resources											
Unearned revenue	\$ -	\$ -	\$ -	\$ 463,553	\$ 17,603	\$ 232,610	\$ -	\$ -	\$ -	\$ -	\$ 713,766
Fund balances											
Nonspendable	\$ -	\$ 2,651	\$ -	\$ -	\$ 157,442	\$ 231,113	\$ -	\$ -	\$ -	\$ -	\$ 391,206
Restricted	-	70,721	808,898	-	-	-	254,573	86,307	-	121,041	1,341,540
Assigned	737,106	-	-	-	-	-	-	-	-	-	737,106
Unassigned (deficit)	-	-	-	(347,330)	(124,819)	(496,049)	-	-	(35,772)	-	(1,003,970)
Total fund balances	\$ 737,106	\$ 73,372	\$ 808,898	\$ (347,330)	\$ 32,623	\$ (264,936)	\$ 254,573	\$ 86,307	\$ (35,772)	\$ 121,041	\$ 1,465,882
Total liabilities, deferred inflows of resources and fund balances	\$ 843,142	\$ 74,397	\$ 808,898	\$ 463,948	\$ 175,226	\$ 464,674	\$ 514,813	\$ 343,165	\$ 218,525	\$ 121,041	\$ 4,027,829

City of Sheboygan Falls
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2022

	Sewage Service	Fire Department Fund Raising	ARPA	TIF District #5	TIF District #6	TIF District #7	Capital Improvements	Vintage Willow Subdivision	Water and Sewer Lateral	City Hall Remodeling	Total
Revenues											
Other taxes	\$ -	\$ -	\$ -	\$ 313,366	\$ 208,118	\$ 140,435	\$ -	\$ -	\$ -	\$ -	\$ 661,919
Special assessments	-	-	-	-	-	-	-	57,079	55,137	-	112,216
Intergovernmental revenues	-	-	414,801	-	-	-	109,658	-	-	-	524,459
Public charges for services	1,033,936	-	-	-	-	-	-	-	-	-	1,033,936
Miscellaneous	8,207	31,940	10,396	20	157,441	64,530	11,306	13,746	12,597	1,917	312,100
Total revenues	\$ 1,042,143	\$ 31,940	\$ 425,197	\$ 313,386	\$ 365,559	\$ 204,965	\$ 120,964	\$ 70,825	\$ 67,734	\$ 1,917	\$ 2,644,630
Expenditures											
Current											
General government	\$ -	\$ -	\$ 31,100	\$ 2,924	\$ 2,100	\$ 2,100	\$ -	\$ -	\$ -	\$ -	\$ 38,224
Public safety	-	7,786	-	-	-	-	-	-	-	-	7,786
Public works	646,821	-	-	-	-	-	-	-	-	-	646,821
Conservation and development	-	-	-	76,789	26,920	162,607	-	-	-	-	266,316
Capital outlay	149,607	9,150	-	124,725	-	-	852,557	-	-	-	1,136,039
Debt service											
Principal	-	-	-	50,000	53,369	-	-	281,359	26,341	-	411,069
Interest	-	-	-	17,258	55,694	15,630	-	19,528	6,322	-	114,432
Fees	-	-	-	200	-	-	-	-	-	-	200
Total expenditures	\$ 796,428	\$ 16,936	\$ 31,100	\$ 271,896	\$ 138,083	\$ 180,337	\$ 852,557	\$ 300,887	\$ 32,663	\$ -	\$ 2,620,887
Excess (deficiency) of revenues over expenditures	\$ 245,715	\$ 15,004	\$ 394,097	\$ 41,490	\$ 227,476	\$ 24,628	\$ (731,593)	\$ (230,062)	\$ 35,071	\$ 1,917	\$ 23,743
Other financing sources (uses)											
Debt proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000
Transfer to general fund	-	-	-	(17,500)	(10,000)	(10,000)	-	-	-	(50,000)	(87,500)
Net other financing sources (uses)	\$ -	\$ -	\$ -	\$ (17,500)	\$ (10,000)	\$ (10,000)	\$ 550,000	\$ -	\$ -	\$ (50,000)	\$ 462,500
Net change in fund balances	\$ 245,715	\$ 15,004	\$ 394,097	\$ 23,990	\$ 217,476	\$ 14,628	\$ (181,593)	\$ (230,062)	\$ 35,071	\$ (48,083)	\$ 486,243
Fund balances (deficit), Beginning of year	491,391	58,368	414,801	(371,320)	(184,853)	(279,564)	436,166	316,369	(70,843)	169,124	979,639
Fund balances (deficit), End of year	\$ 737,106	\$ 73,372	\$ 808,898	\$ (347,330)	\$ 32,623	\$ (264,936)	\$ 254,573	\$ 86,307	\$ (35,772)	\$ 121,041	\$ 1,465,882

City of Sheboygan Falls
Detailed Schedule of General Fund Revenues
Year ended December 31, 2022

Taxes		
General property taxes	\$ 3,818,487	
Mobile home fees	104,312	
Room tax	11,997	
Payment in lieu of taxes - Elderly housing	14,017	
Payment in lieu of taxes - Brickner	32,172	
Payment in lieu of taxes - General Capital	25,000	
Payment in lieu of taxes - Pine Haven	<u>50,019</u>	\$ 4,056,004
Intergovernmental revenues		
Shared revenues	\$ 459,328	
Exempt computer aid	22,669	
Personal property aid	28,152	
Video service provider aid	21,326	
Fire insurance tax	33,013	
Police training aid	2,240	
Transportation aid	499,038	
Recycling grant	15,520	
Aid equivalent to taxes	1,037	
Police vest grant	925	
Local police grants	12,179	
Library system income	<u>144,230</u>	1,239,657
Licenses and permits		
Liquor and malt beverage licenses	\$ 26,560	
Operator licenses	3,650	
Cigarette licenses	240	
Mobile home park licenses	646	
Amusement device licenses	955	
Peddler and food truck permits	575	
Cable franchise fees	86,247	
Dog licenses retained	4,413	
Dog fancier permits	300	
Bicycle licenses	33	
Building permits	41,836	
Electrical permits	7,230	
Plumbing permits	4,590	
Street opening permits	7,089	
Erosion and storm water fees	675	
Contract building inspections	46,264	
Well permits	50	
Board of appeals and plan commission fees	1,050	
Conditional use parking permits	<u>10,000</u>	<u>242,403</u>
Forward to page 71		<u>\$ 5,538,064</u>

City of Sheboygan Falls
Detailed Schedule of General Fund Revenues
Year ended December 31, 2022

Brought forward		\$ 5,538,064
Fines, forfeits and penalties		
Court penalties and costs	\$ 20,698	
Downtown parking	266	
Municipal court - Fines	41,781	
Municipal court - Court costs	24,948	
Municipal court - County and State	35,595	
Dog license penalties	95	123,383
	<hr/>	
Public charges for services		
Clerk-treasurer fees	\$ 5,460	
Publication fees	1,250	
Police income	564	
Witness fees	54	
Fire inspection fees	150	
Utility vehicle maintenance revenues	1,545	
Sanitary connection fees	1,000	
Recycling fees	76,012	
Weed control fees	255	
Cemetery income	35,325	
Library income	11,086	
Park shelter fees	14,325	
Dog park passes	40	
Park land development fees	5,500	
Timber and tree sales	2,263	154,829
	<hr/>	
Intergovernmental charges for services		
School liaison income		47,805
Miscellaneous		
Investment income	\$ 91,972	
Net increase (decrease) in the fair value of investments	(155,533)	
Interest on special assessments and charges	905	
Utility rent	24,000	
Water utility rent	9,600	
Land rent	1,452	
Sale of property	112,420	
Sale of scrap and other items	1,856	
Insurance recoveries and restitution	37,701	
Donations	26,161	
Insurance dividends and refunds	13,949	
Utility share of insurance	63,525	
Utility share of public works committee	18,263	
Miscellaneous	1,205	247,476
	<hr/>	
Total revenues		<u>\$ 6,111,557</u>

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

General government			
Common council			
Salary	\$	27,384	
Publishing		3,679	
Council expense		<u>6,865</u>	\$ 37,928
Mayor			
Salary	\$	9,143	
Mayor expense		<u>160</u>	9,303
Municipal court			
Judge salary	\$	7,504	
Court clerk salary		21,904	
Software and support		8,802	
Supplies and expense		3,095	
Education expense		754	
Court penalties - County and State		<u>35,595</u>	77,654
Legal			
Professional services	\$	69,645	
Municipal code update		<u>2,776</u>	72,421
Employee benefits			
Social security	\$	174,012	
Retirement		227,665	
Health care		373,479	
Life insurance		4,410	
Longevity pay		13,648	
Worker's compensation insurance		<u>54,828</u>	848,042
City administrator and Clerk-treasurer			
City administrator salary	\$	39,102	
Clerk-treasurer salary		6,332	
Clerk / deputy treasurer salary		16,632	
Treasurer / deputy clerk salary		1,563	
Office assistant salary		9,606	
Elections		13,328	
Clerk-treasurer expense		7,856	
Supplies and forms		3,081	
Bank and other fees		9,955	
Tax collection expense		2,190	
Postage		<u>3,435</u>	<u>113,080</u>
Forward to page 73			\$ <u>1,158,428</u>

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

General government - Continued			
Brought forward			\$ 1,158,428
Assessment of property			
Salary	\$	10,030	
Contracted services		35,606	
Assessment expense		2,087	
Manufacturing property assessment fee		5,640	
Board of review		<u>300</u>	53,663
Accounting and auditing			
Salary	\$	16,600	
Professional services		41,300	
Payroll preparation costs		<u>8,760</u>	66,660
Municipal building			
Salary	\$	493	
Heat		17,744	
Light, water and telephone		38,782	
Contract cleaning		18,213	
Maintenance		21,950	
Supplies		3,115	
Maintenance agreements		<u>7,931</u>	108,228
Other general government			
League dues	\$	2,838	
Property and liability insurance		122,856	
Unemployment compensation		172	
Uncollectible taxes		<u>3,982</u>	<u>129,848</u>
Total general government			<u>\$ 1,516,827</u>

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

Public safety			
Police department			
Administrative salary	\$	357,861	
Patrol salary		687,154	
Liaison salary		73,192	
Overtime salary		52,021	
Court time salary		1,225	
Office manager / administrative assistant salary		60,542	
Clerical salary		53,745	
Office supplies		9,028	
Postage		797	
Dues and subscriptions		703	
Data processing and line charges		5,626	
Maintenance agreements		17,132	
IT support		183	
Gas and oil		30,665	
Vehicle maintenance		10,346	
Firearms supply		3,395	
Training, conferences and schools		7,193	
Uniforms		20,068	
Crossing guards		4,615	
Special projects		3,667	
Radio and radar repair		3,237	
Crime prevention fund expense		<u>5,222</u>	\$ 1,407,617
Fire department			
Director of public safety salary	\$	5,000	
Officer salary		23,511	
Volunteer compensation		55,896	
Supplies and maintenance		29,063	
Memberships and dues		3,221	
First responder supplies and expense		3,284	
Inspectors, public education and schools and conventions		24,630	
Calibration and testing		8,915	
Yearly physicals		<u>5,510</u>	159,030
Inspections			
Salary	\$	23,386	
Contracted services		55,319	
Building inspection expense		174	
Weights and measures		<u>2,400</u>	81,279
Other public safety			
Siren expense			<u>1,699</u>
Total public safety			<u>\$ 1,649,625</u>

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

Public works			
Director of public works			
Salary		\$	36,612
Training program			
Salary	\$	4,988	
Supplies and expense		5,139	10,127
		<u> </u>	
Repair of streets			
Salary	\$	72,332	
Supplies and maintenance		22,854	95,186
		<u> </u>	
Street cleaning			
Salary	\$	39,161	
Supplies and maintenance		5,603	44,764
		<u> </u>	
Street machinery			
Salary	\$	52,203	
Supplies and maintenance		42,343	
Gas and oil		56,711	
Utility vehicle maintenance		1,545	152,802
		<u> </u>	
Snow and ice removal			
Salary	\$	53,825	
Supplies and maintenance		11,285	
Sand and salt		34,463	99,573
		<u> </u>	
Contract and seasonal			
Salary			19,871
Street signs and markings			
Salary	\$	10,455	
Supplies and maintenance		3,368	13,823
		<u> </u>	
Tree and brush control			
Salary	\$	59,308	
Supplies and maintenance		24,776	84,084
		<u> </u>	
Garage and shop			
Salary	\$	3,212	
Supplies and maintenance		16,662	
Tools and supplies		6,797	
Heat, light and water		17,854	44,525
		<u> </u>	<u> </u>
Forward to page 76			\$ 601,367

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

Public works - Continued			
Brought forward			\$ 601,367
Engineering			
Professional services			5,834
Street lighting			
Electricity			144,812
Storm and sanitary sewers			
Salary	\$ 86,912		
Supplies and maintenance	17,386		
Storm water management	<u>1,679</u>		105,977
Other transportation			
Bus subsidy			38,696
Garbage collection and recycling			
Garbage pickup and disposal	\$ 301,015		
Recycling pickup and disposal	108,057		
Fuel surcharge	<u>16,709</u>		425,781
Compost site			
Salary	\$ 12,023		
Supplies and maintenance	<u>236</u>		12,259
Weed control			
Salary	\$ 832		
Supplies and maintenance	<u>4,800</u>		<u>5,632</u>
Total public works			<u>\$ 1,340,358</u>
Health and human services			
Animal control			
Goose removal			\$ 2,778
Cemetery			
Salary	\$ 48,163		
Mapping salary	984		
Supplies and maintenance	<u>14,090</u>		<u>63,237</u>
Total health and human services			<u>\$ 66,015</u>

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

Culture, recreation and education

Library

Salary	\$ 206,976	
Adult books	24,528	
Children's books	18,195	
Reference books	4,316	
DVD's	12,351	
Periodicals and newspapers	6,136	
Non-print	9,452	
Programs	4,327	
Easicat contracts	15,034	
Office supplies and maintenance agreements	6,904	
Heat	9,131	
Electricity and water	18,050	
Telephone	1,874	
Maintenance	23,317	
Continuing education	<u>1,649</u>	\$ 362,240

Parks and playgrounds

Salary	\$ 73,138	
Heat, light and water	11,354	
Supplies and maintenance	12,781	
Dog park expense	<u>2,446</u>	<u>99,719</u>

Total culture, recreation and education \$ 461,959

Conservation and development

Economic development

Economic development expense		\$ 950
Professional services		5,000
Smart growth expense		<u>1,800</u>

Total conservation and development \$ 7,750

City of Sheboygan Falls
Detailed Schedule of General Fund Expenditures
Year ended December 31, 2022

Capital outlay			
Public safety			
Police department vehicles	\$	38,308	
Fire department equipment and gear		2,713	
Fire department expense		<u>13,116</u>	\$ 54,137
Public works			
Sidewalk improvements	\$	22,496	
Stormwater management plan		71,000	
Landfill groundwater monitoring		<u>7,200</u>	100,696
Culture, recreation and education			
Library equipment and improvements	\$	43,734	
Park equipment and improvements		34,180	
Tecumseh / Rochester park development		54,365	
West side park improvements		<u>1,423</u>	133,702
Conservation and development			
Economic development			<u>151,000</u>
Total capital outlay			<u>\$ 439,535</u>
Debt service			
Principal			\$ 1,215,872
Interest			261,003
Fees			<u>1,304</u>
Total debt service			<u>\$ 1,478,179</u>
Total expenditures			<u><u>\$ 6,960,248</u></u>

City of Sheboygan Falls
Detailed Schedule of Sewage Service Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Public charges for services		
Sewer user fees	\$ 817,753	
Sewer replacement fees	<u>216,183</u>	\$ 1,033,936
Miscellaneous		
Investment income		<u>8,207</u>
Total revenues		<u>\$ 1,042,143</u>
Expenditures		
Current		
Public works		
Sewage service		
Salary	\$ 38,813	
Social security	2,986	
Retirement	2,498	
Health care	7,588	
Life insurance	68	
Longevity pay	216	
Education	275	
Light and water	49,444	
Telephone	1,225	
Supplies	2,953	
Maintenance	25,960	
Excel locates	13,236	
Engineering	17,589	
Accounting and auditing	2,075	
Sewage treatment	423,695	
Western interceptor fee	<u>58,200</u>	\$ 646,821
Capital outlay		
Public works		
Sanitary sewer improvements	\$ 116,532	
Sewer plant and equipment	<u>33,075</u>	<u>149,607</u>
Total expenditures		<u>\$ 796,428</u>
Net change in fund balance		\$ 245,715
Fund balance, Beginning of year		<u>491,391</u>
Fund balance, End of year		<u><u>\$ 737,106</u></u>

City of Sheboygan Falls
Detailed Schedule of Fire Department Fund Raising Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Miscellaneous		
Fund raising - Net	\$	26,515
Sale of equipment and machinery		1,396
Donations		<u>4,029</u>
Total revenues	\$	<u>31,940</u>
Expenditures		
Current		
Public safety		
Fire department supplies and expense	\$	7,786
Capital outlay		
Public safety		
Fire department equipment and gear		<u>9,150</u>
Total expenditures	\$	<u>16,936</u>
Net change in fund balance	\$	15,004
Fund balance, Beginning of year		<u>58,368</u>
Fund balance, End of year	\$	<u><u>73,372</u></u>

City of Sheboygan Falls
Detailed Schedule of ARPA Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Intergovernmental revenues		
American rescue plan act aid	\$	414,801
Miscellaneous		
Investment income		<u>10,396</u>
Total revenues	\$	425,197
Expenditures		
Current		
General government		
Employee benefits		
COVID bonuses		<u>31,100</u>
Net change in fund balance	\$	394,097
Fund balance, Beginning of year		<u>414,801</u>
Fund balance, End of year	\$	<u><u>808,898</u></u>

City of Sheboygan Falls
Detailed Schedule of Revolving Loan Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Miscellaneous		
Interest on revolving loans		\$ 6,517
Expenditures		
Debt service		
Principal		<u>62,500</u>
Net change in fund balance		\$ (55,983)
Fund balance, Beginning of year		<u>1,722,670</u>
Fund balance, End of year		<u><u>\$ 1,666,687</u></u>

City of Sheboygan Falls
Detailed Schedule of TIF District #3 Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Taxes		
Tax increment	\$	441,257
Intergovernmental revenues		
Exempt computer aid		<u>75,187</u>
Total revenues	\$	<u>516,444</u>
Expenditures		
Current		
General government		
Accounting and auditing		
Professional services	\$	1,600
Conservation and development		
Economic development		
Professional services	\$	1,600
State fees		<u>150</u>
		1,750
Debt service		
Principal	\$	14,128
Interest		33,271
Fees		<u>371</u>
		<u>47,770</u>
Total expenditures	\$	<u>51,120</u>
Excess (deficiency) of revenues over expenditures	\$	465,324
Other financing sources (uses)		
Transfer to general fund		<u>(5,000)</u>
Net change in fund balance	\$	460,324
Fund balance (deficit), Beginning of year		<u>(1,030,934)</u>
Fund balance (deficit), End of year	\$	<u><u>(570,610)</u></u>

City of Sheboygan Falls
Detailed Schedule of TIF District #4 Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues			
Taxes			
Tax increment			\$ 322,410
Miscellaneous			
Investment income			<u>4,606</u>
Total revenues			<u>\$ 327,016</u>
Expenditures			
Current			
General government			
Legal			
Professional services	\$ 9,967		
Accounting and auditing			
Professional services	<u>3,100</u>	\$ 13,067	
Conservation and development			
Economic development			
Engineering services	\$ 3,162		
Professional services	1,600		
State fees	150		
Economic development contributions	6,500		
Annexation fees	<u>1,150</u>	12,562	
Capital outlay			
Public works			
Street improvements	\$ 663		
Water main improvements	<u>503,002</u>	503,665	
Debt service			
Principal	\$ 155,000		
Interest	60,713		
Fees	<u>600</u>	216,313	
Total expenditures			<u>\$ 745,607</u>
Excess (deficiency) of revenues over expenditures			\$ (418,591)
Other financing sources (uses)			
Transfer to general fund			<u>(17,500)</u>
Net change in fund balance			\$ (436,091)
Fund balance, Beginning of year			<u>114,768</u>
Fund balance (deficit), End of year			<u>\$ (321,323)</u>

City of Sheboygan Falls
Detailed Schedule of TIF District #5 Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues			
Taxes			
Tax increment		\$	313,366
Miscellaneous			
Sale of property			<u>20</u>
Total revenues		\$	<u>313,386</u>
Expenditures			
Current			
General government			
Legal			
Professional services	\$	574	
Accounting and auditing			
Professional services		<u>2,350</u>	\$ 2,924
Conservation and development			
Economic development			
Engineering services	\$	9,536	
Professional services		2,663	
Developer incentives		57,940	
State fees		150	
Economic development contributions		<u>6,500</u>	76,789
Capital outlay			
Conservation and development			
Economic development improvements			124,725
Debt service			
Principal	\$	50,000	
Interest		17,258	
Fees		<u>200</u>	<u>67,458</u>
Total expenditures			\$ <u>271,896</u>
Excess (deficiency) of revenues over expenditures			\$ 41,490
Other financing sources (uses)			
Transfer to general fund			<u>(17,500)</u>
Net change in fund balance			\$ 23,990
Fund balance (deficit), Beginning of year			<u>(371,320)</u>
Fund balance (deficit), End of year			<u>\$ (347,330)</u>

City of Sheboygan Falls
Detailed Schedule of TIF District #6 Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Taxes		
Tax increment		\$ 208,118
Miscellaneous		
Interest on developer note	\$ 7,441	
Refund of expenses	<u>150,000</u>	<u>157,441</u>
Total revenues		<u>\$ 365,559</u>
Expenditures		
Current		
General government		
Accounting and auditing		
Professional services		\$ 2,100
Conservation and development		
Economic development		
Engineering services	\$ 170	
Professional services	1,600	
Developer incentives	25,000	
State fees	<u>150</u>	<u>26,920</u>
Debt service		
Principal	\$ 53,369	
Interest	<u>55,694</u>	<u>109,063</u>
Total expenditures		<u>\$ 138,083</u>
Excess (deficiency) of revenues over expenditures		\$ 227,476
Other financing sources (uses)		
Transfer to general fund		<u>(10,000)</u>
Net change in fund balance		\$ 217,476
Fund balance (deficit), Beginning of year		<u>(184,853)</u>
Fund balance, End of year		<u><u>\$ 32,623</u></u>

City of Sheboygan Falls
Detailed Schedule of TIF District #7 Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Taxes		
Tax increment		\$ 140,435
Miscellaneous		
Interest on developer note	\$ 7,221	
TIF shortfall payments	<u>57,309</u>	<u>64,530</u>
Total revenues		<u>\$ 204,965</u>
Expenditures		
Current		
General government		
Accounting and auditing		
Professional services		\$ 2,100
Conservation and development		
Economic development		
Professional services	\$ 1,600	
Developer incentives	160,857	
State fees	<u>150</u>	162,607
Debt service		
Interest		<u>15,630</u>
Total expenditures		<u>\$ 180,337</u>
Excess (deficiency) of revenues over expenditures		\$ 24,628
Other financing sources (uses)		
Transfer to general fund		<u>(10,000)</u>
Net change in fund balance		\$ 14,628
Fund balance (deficit), Beginning of year		<u>(279,564)</u>
Fund balance (deficit), End of year		<u><u>\$ (264,936)</u></u>

City of Sheboygan Falls
Detailed Schedule of Capital Improvements Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Intergovernmental revenues		
County sales tax - Road improvements		\$ 109,658
Miscellaneous		
Sale of equipment and machinery	\$ 10,981	
Sale of other items	<u>325</u>	<u>11,306</u>
Total revenues		<u>\$ 120,964</u>
Expenditures		
Capital outlay		
Public safety		
Police department equipment	\$ 6,807	
Fire department equipment and gear	<u>17,559</u>	\$ 24,366
Public works		
Street department equipment	\$ 278,980	
Street improvements	419,230	
Sidewalk improvements	25,368	
Storm sewer improvements	<u>59,585</u>	783,163
Health and human services		
Cemetery equipment		15,228
Culture, recreation and education		
Library improvements	\$ 66	
Park improvements	21,815	
Christmas decorations	<u>7,919</u>	<u>29,800</u>
Total expenditures		<u>\$ 852,557</u>
Excess (deficiency) of revenues over expenditures		\$ (731,593)
Other financing sources (uses)		
Debt proceeds		<u>550,000</u>
Net change in fund balance		\$ (181,593)
Fund balance, Beginning of year		<u>436,166</u>
Fund balance, End of year		<u><u>\$ 254,573</u></u>

City of Sheboygan Falls
Detailed Schedule of Vintage Willow Subdivision Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Special assessments		
Public improvements		\$ 57,079
Miscellaneous		
Interest on special assessments and charges		<u>13,746</u>
Total revenues		\$ 70,825
Expenditures		
Debt service		
Principal	\$ 281,359	
Interest	<u>19,528</u>	<u>300,887</u>
Net change in fund balance		\$ (230,062)
Fund balance, Beginning of year		<u>316,369</u>
Fund balance, End of year		<u><u>\$ 86,307</u></u>

City of Sheboygan Falls
Detailed Schedule of Water and Sewer Lateral Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues		
Special assessments		
Public improvements		\$ 55,137
Miscellaneous		
Interest on special assessments and charges		<u>12,597</u>
Total revenues		\$ 67,734
Expenditures		
Debt service		
Principal	\$ 26,341	
Interest	<u>6,322</u>	<u>32,663</u>
Net change in fund balance		\$ 35,071
Fund balance (deficit), Beginning of year		<u>(70,843)</u>
Fund balance (deficit), End of year		<u><u>\$ (35,772)</u></u>

City of Sheboygan Falls
Detailed Schedule of City Hall Remodeling Fund Revenues, Expenditures
and Changes in Fund Balance
Year ended December 31, 2022

Revenues	
Miscellaneous	
Investment income	\$ 1,917
Other financing sources (uses)	
Transfer to general fund	<u>(50,000)</u>
Net change in fund balance	\$ (48,083)
Fund balance, Beginning of year	<u>169,124</u>
Fund balance, End of year	<u><u>\$ 121,041</u></u>

City of Sheboygan Falls
Detailed Schedule of Electric Utility Operating Revenues and Expenses
Year ended December 31, 2022

Operating revenues	
Sales of electricity	
Residential	\$ 3,718,368
Rural	40,944
Commercial	1,053,589
Large power	12,538,548
Private security lighting	17,253
Public street and highway lighting	143,388
Interdepartmental	<u>16,877</u>
Total sales of electricity	<u>\$ 17,528,967</u>
Other operating revenues	
Forfeited discounts	\$ 11,318
Rent from electric property	21,456
Other electric revenues	<u>12,302</u>
Total other operating revenues	<u>\$ 45,076</u>
Total operating revenues	<u>\$ 17,574,043</u>
Operating expenses	
Operation and maintenance expenses	
Purchased power	\$ 15,789,418
Distribution expenses	653,692
Customer accounts expenses	95,968
Administrative and general expenses	298,723
Taxes	<u>57,722</u>
Total operation and maintenance expenses	<u>\$ 16,895,523</u>
Depreciation expense	<u>674,205</u>
Total operating expenses	<u>\$ 17,569,728</u>
Operating income	<u><u>\$ 4,315</u></u>

City of Sheboygan Falls
Detailed Schedule of Water Utility Operating Revenues and Expenses
Year ended December 31, 2022

Operating revenues		
Sales of water		
Metered sales		
Residential	\$	714,476
Commercial		164,280
Industrial		396,057
Public authorities		27,570
Multifamily residential		<u>41,336</u>
Total metered sales	\$	1,343,719
Private fire protection service		56,099
Public fire protection service		<u>545,822</u>
Total sales of water	\$	<u>1,945,640</u>
Other operating revenues		
Forfeited discounts	\$	4,128
Rent from water property		20,744
Other water revenues		<u>9,182</u>
Total other operating revenues	\$	<u>34,054</u>
Total operating revenues	\$	<u>1,979,694</u>
Operating expenses		
Operation and maintenance expenses		
Purchased water	\$	662,668
Pumping expenses		54,800
Transmission and distribution expenses		211,995
Customer accounts expenses		39,272
Administrative and general expenses		183,671
Taxes		<u>1,503</u>
Total operation and maintenance expenses	\$	1,153,909
Depreciation expense		<u>297,709</u>
Total operating expenses	\$	<u>1,451,618</u>
Operating income	\$	<u><u>528,076</u></u>

City of Sheboygan Falls
Detailed Schedule of General Obligation Debt
December 31, 2022

<u>Description</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General obligation refunding bonds				
Dated November 22, 2011 / 3.90%				
Unfunded service liability and TIF District #3	2023	\$ 25,000	\$ 2,438	\$ 27,438
	2024	25,000	1,463	26,463
	2025	<u>25,000</u>	<u>488</u>	<u>25,488</u>
Totals		<u>\$ 75,000</u>	<u>\$ 4,389</u>	<u>\$ 79,389</u>
General obligation refunding bonds				
Dated February 11, 2014 / 3.00 - 4.00%				
City hall remodeling	2023	\$ 380,000	\$ 185,025	\$ 565,025
	2024	395,000	173,400	568,400
	2025	405,000	160,387	565,387
	2026	420,000	145,950	565,950
	2027	435,000	129,900	564,900
	2028	455,000	112,100	567,100
	2029	475,000	93,500	568,500
	2030	495,000	74,100	569,100
	2031	515,000	53,900	568,900
	2032	535,000	32,900	567,900
	2033	<u>555,000</u>	<u>11,100</u>	<u>566,100</u>
Totals		<u>\$ 5,065,000</u>	<u>\$ 1,172,262</u>	<u>\$ 6,237,262</u>
General obligation promissory notes				
Dated May 30, 2018 / 3.15 - 3.55%				
TIF District #4 and TIF District #5	2023	\$ 150,000	\$ 28,920	\$ 178,920
	2024	160,000	23,958	183,958
	2025	195,000	18,091	213,091
	2026	125,000	12,700	137,700
	2027	150,000	7,950	157,950
	2028	<u>150,000</u>	<u>2,663</u>	<u>152,663</u>
Totals		<u>\$ 930,000</u>	<u>\$ 94,282</u>	<u>\$ 1,024,282</u>

City of Sheboygan Falls
Detailed Schedule of General Obligation Debt
December 31, 2022

<u>Description</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General obligation promissory notes				
Dated May 30, 2018 / 2.35 - 3.00%				
Capital improvements and fire truck	2023	\$ 295,000	\$ 47,566	\$ 342,566
	2024	250,000	40,350	290,350
	2025	275,000	32,475	307,475
	2026	300,000	23,850	323,850
	2027	315,000	14,625	329,625
	2028	<u>330,000</u>	<u>4,950</u>	<u>334,950</u>
Totals		<u>\$ 1,765,000</u>	<u>\$ 163,816</u>	<u>\$ 1,928,816</u>
State trust fund loan				
Dated December 6, 2019 / 3.75%				
TIF District #6	2023	\$ 55,370	\$ 48,143	\$ 103,513
	2024	57,321	46,192	103,513
	2025	59,596	43,917	103,513
	2026	61,831	41,682	103,513
	2027	64,150	39,363	103,513
	2028	66,454	37,059	103,513
	2029	69,047	34,466	103,513
	2030	71,637	31,876	103,513
	2031	74,323	29,190	103,513
	2032	77,038	26,475	103,513
	2033	79,999	23,514	103,513
	2034	82,999	20,514	103,513
	2035	86,112	17,401	103,513
	2036	89,302	14,211	103,513
	2037	92,690	10,823	103,513
	2038	96,166	7,347	103,513
	2039	<u>99,772</u>	<u>3,741</u>	<u>103,513</u>
Totals		<u>\$ 1,283,807</u>	<u>\$ 475,914</u>	<u>\$ 1,759,721</u>
General obligation promissory notes				
Dated May 6, 2021 / 1.70%				
Capital improvements	2023	\$ 550,000	\$ 6,748	\$ 556,748

City of Sheboygan Falls
Detailed Schedule of General Obligation Debt
December 31, 2022

<u>Description</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General obligation promissory notes				
Dated May 27, 2021 / 3.10%				
Water and sewer lateral project and				
Vintage Willow subdivision				
	2023	\$ 117,299	\$ 16,251	\$ 133,550
	2024	120,897	12,653	133,550
	2025	124,697	8,853	133,550
	2026	128,616	4,934	133,550
	2027	<u>28,364</u>	<u>891</u>	<u>29,255</u>
Totals		<u>\$ 519,873</u>	<u>\$ 43,582</u>	<u>\$ 563,455</u>
General obligation community development bonds				
Dated July 7, 2021 / 1.20 - 2.00%				
TIF District #4				
	2023	\$ 75,000	\$ 29,300	\$ 104,300
	2024	75,000	27,800	102,800
	2025	75,000	26,300	101,300
	2026	75,000	24,800	99,800
	2027	75,000	23,300	98,300
	2028	75,000	21,800	96,800
	2029	220,000	18,850	238,850
	2030	225,000	14,400	239,400
	2031	225,000	10,800	235,800
	2032	225,000	7,988	232,988
	2033	225,000	4,950	229,950
	2034	<u>225,000</u>	<u>1,687</u>	<u>226,687</u>
Totals		<u>\$ 1,795,000</u>	<u>\$ 211,975</u>	<u>\$ 2,006,975</u>
Total general obligation debt		<u>\$ 11,983,680</u>	<u>\$ 2,172,968</u>	<u>\$ 14,156,648</u>

City of Sheboygan Falls
Detailed Schedule of Revenue Bond Debt
December 31, 2022

<u>Description</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Revenue bonds				
Dated December 20, 2018 / 3.00 - 4.00%				
Electric utility projects	2023	\$ 100,000	\$ 74,310	\$ 174,310
	2024	105,000	70,210	175,210
	2025	110,000	65,910	175,910
	2026	115,000	61,410	176,410
	2027	120,000	56,710	176,710
	2028	120,000	52,510	172,510
	2029	130,000	48,760	178,760
	2030	130,000	44,795	174,795
	2031	130,000	40,765	170,765
	2032	140,000	36,475	176,475
	2033	140,000	31,925	171,925
	2034	150,000	27,138	177,138
	2035	150,000	22,112	172,112
	2036	160,000	16,400	176,400
	2037	160,000	10,000	170,000
	2038	<u>170,000</u>	<u>3,400</u>	<u>173,400</u>
Total revenue bond debt		<u>\$ 2,130,000</u>	<u>\$ 662,830</u>	<u>\$ 2,792,830</u>

City of Sheboygan Falls
Detailed Schedule of Other Long-Term Debt
December 31, 2022

<u>Description</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Promissory note - USDA loan				
Dated June 17, 2020 / 0.00%				
Pine Haven expansion	2023	\$ 125,000	\$ -	\$ 125,000
	2024	125,000	-	125,000
	2025	125,000	-	125,000
	2026	125,000	-	125,000
	2027	125,000	-	125,000
	2028	125,000	-	125,000
	2029	125,000	-	125,000
	2030	62,500	-	62,500
		<u>937,500</u>	<u>-</u>	<u>937,500</u>
Total other long-term debt		<u>\$ 937,500</u>	<u>\$ -</u>	<u>\$ 937,500</u>

**Additional Independent Auditor's Report
for Basic Financial Statements**

CORSON, PETERSON & HAMANN S.C.

CERTIFIED PUBLIC ACCOUNTANTS

GREG PETERSON, C.P.A.
DAVID HAMANN, C.P.A.

2203 SOUTH MEMORIAL PLACE
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TELEPHONE
(920) 457-3641

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

To the Mayor and Common Council
City of Sheboygan Falls
Sheboygan Falls, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sheboygan Falls, Wisconsin, (the "City") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin

September 1, 2023

Single Audit Section

CORSON, PETERSON & HAMANN S.C.

CERTIFIED PUBLIC ACCOUNTANTS

GREG PETERSON, C.P.A.
DAVID HAMANN, C.P.A.

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(920) 457-3641

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Common Council
City of Sheboygan Falls
Sheboygan Falls, Wisconsin

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Sheboygan Falls' (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2022. The major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin

September 1, 2023

City of Sheboygan Falls
Schedule of Expenditures of Federal Awards
Year ended December 31, 2022

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>(Deferred) Revenue Jan. 1, 2022</u>	<u>Revenue</u>	<u>Total Federal Expenditures</u>	<u>(Deferred) Revenue Dec. 31, 2022</u>	<u>Subrecipient Payments</u>
<u>U.S. Department of Agriculture</u>							
Rural Economic Development Loans and Grants	10.854	N/A	\$ -	\$ 1,550,407	\$ 1,550,407	\$ -	\$ -
<u>U.S. Department of Justice</u>							
Bullet Proof Vest Partnership Program	16.607	N/A	\$ -	\$ 925	\$ 925	\$ -	\$ -
<u>U.S. Department of Treasury</u>							
Passed through Wisconsin Department of Revenue Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ (414,801)	\$ 414,801	\$ 31,100	\$ (798,502)	\$ -
Total Federal Awards			<u>\$ (414,801)</u>	<u>\$ 1,966,133</u>	<u>\$ 1,582,432</u>	<u>\$ (798,502)</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Sheboygan Falls
Notes to the Schedule of Expenditures of Federal Awards
Year ended December 31, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Sheboygan Falls under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City of Sheboygan Falls.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City did not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Calculation of Rural Economic Development Loans and Grants Expenditures on the SEFA

The reported expenditures were calculated as follows in accordance with guidance by the grantor:

Revolving Loan Fund (RLF):

Outstanding loans as of December 31, 2022	\$ 1,386,412
Cash and investments as of December 31, 2022	<u>280,275</u>
Total	<u><u>\$ 1,666,687</u></u>

Calculation of Federal Participation Rate (FPR)

Original loan	\$ 1,000,000
Original grant	600,000
Original match (in-kind)	<u>120,000</u>
Total	<u><u>\$ 1,720,000</u></u>

FPR - Original loan and grant awarded divided by total including original match	93.0233%
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Expenditures reported on the SEFA	<u><u>\$ 1,550,407</u></u>
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City of Sheboygan Falls
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified		
Internal control over financial reporting:				
Material weaknesses identified?	_____	Yes	_____ X _____	No
Significant deficiencies identified?	_____	Yes	_____ X _____	None reported
Noncompliance material to the financial statements noted?	_____	Yes	_____ X _____	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	_____	Yes	_____ X _____	No
Significant deficiencies identified?	_____	Yes	_____ X _____	None reported
Type of auditor's report issued on compliance for major programs:				
			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	Yes	_____ X _____	No

Identification of major federal programs:

Federal Assistance Number	Name of Federal Program or Cluster
10.854	Rural Economic Development Loans and Grants (REDLG)

Dollar threshold used to distinguish between type A and type B programs:		\$750,000		
Auditee qualified as a low-risk auditee?	_____ X _____	Yes	_____ _____	No

City of Sheboygan Falls
Schedule of Findings and Questioned Costs
Year ended December 31, 2022

Section II - Financial Statement Findings

There are no findings related to the basic financial statements required to be reported under governmental auditing standards for the year ended December 31, 2022.

Section III - Federal Award Findings and Questioned Costs

There are no findings related to the federal awards for the year ended December 31, 2022.

Section IV - Other Issues


1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

 Yes X No

2. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

 X Yes No

3. Name and signature of partner:



Greg Peterson, CPA

4. Date of report:

September 1, 2023



Summary Schedule of Prior Audit Findings

Finding No. 2021-001 - Preparation of the Financial Statements

Fiscal Year in which the Finding Initially Occurred - 2020

Federal Agency / Pass-Through - N/A

Contact Person - Shad Tenpas, City Administrator

Phone - (920) 467-7900

Current Status - This finding no longer exists.

A handwritten signature in black ink that reads "Shad Tenpas".

Shad Tenpas, City Administrator

August 27, 2023

FORM OF LEGAL OPINION

(See following pages)

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202

July 17, 2024

Re: City of Sheboygan Falls, Wisconsin ("Issuer")
\$6,635,000 General Obligation Promissory Notes, Series 2024A,
dated July 17, 2024 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on May 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2025	\$350,000	___%
2026	440,000	___
2027	455,000	___
2028	475,000	___
2029	495,000	___
2030	515,000	___
2031	535,000	___
2032	555,000	___
2033	575,000	___
2034	600,000	___
2035	300,000	___
2036	315,000	___
2037	330,000	___
2038	340,000	___
2039	355,000	___

Interest is payable semi-annually on May 1 and November 1 of each year commencing on May 1, 2025.

The Notes maturing on May 1, 2033 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on May 1, 2032 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

【The Notes maturing in the years _____ are subject to mandatory redemption by lot as provided in the Notes, at the redemption price of par plus accrued interest to the date of redemption and without premium.】

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Notes have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.
2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.
3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Sheboygan Falls, Sheboygan, Wisconsin (the "Issuer") in connection with the issuance of \$6,635,000 General Obligation Promissory Notes, Series 2024A, dated July 17, 2024 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on June 5, 2024, as supplemented by an Approving Certificate, dated _____, 2024 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated June 26, 2024 delivered in connection with the Securities, which is available from the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Sheboygan Falls, Sheboygan, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Administrator of the Issuer who can be contacted at 375 Buffalo Street, Sheboygan Falls, Wisconsin 53085, phone (920) 467-7900, fax (920) 467-2847.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending December 31, 2023, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - Direct Debt
2. DEBT - Debt Limit
3. VALUATIONS - Current Property Valuations
4. TAX LEVIES AND COLLECTIONS - Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist

it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 17th day of July, 2024.

(SEAL)

Randall J. Meyer
Mayor

Brianna Baesemann
City Clerk

NOTICE OF SALE

**\$6,635,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A
CITY OF SHEBOYGAN FALLS, WISCONSIN**

Bids for the purchase of \$6,635,000* General Obligation Promissory Notes, Series 2024A (the "Notes") of the City of Sheboygan Falls, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on June 26, 2024, at which time they will be opened, read and tabulated. **The Common Council adopted a resolution on June 5, 2024 (the "Parameters Resolution"), which authorized the City Administrator or the Mayor to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on June 26, 2024, neither the City Administrator nor the Mayor will have the authority to accept a bid for the Notes, and all bids will be rejected.**

AUTHORITY; PURPOSE; SECURITY

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City for public purposes, including paying the cost of street improvement projects, fire apparatus, and the acquisition of public works equipment. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Notes will be dated July 17, 2024, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$350,000	2030	\$515,000	2035	\$300,000
2026	440,000	2031	535,000	2036	315,000
2027	455,000	2032	555,000	2037	330,000
2028	475,000	2033	575,000	2038	340,000
2029	495,000	2034	600,000	2039	355,000

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, up to a maximum of \$150,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on May 1 and November 1 of each year, commencing May 1, 2025, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after May 1, 2033 shall be subject to optional redemption prior to maturity on May 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

DELIVERY

On or about July 17, 2024, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING COUNSEL

Bond Counsel has not assumed responsibility for the Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

SUBMISSION OF BIDS

Bids must not be for less than \$6,555,380 nor more than \$7,099,450, plus accrued interest on the principal sum of \$6,635,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:30 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

A good faith deposit ("Deposit") in the amount of \$132,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid. **The Notes will not be awarded if the TIC (taking the purchaser's compensation into account) exceeds 5.0% or if the other conditions set forth in the Parameters Resolution are not satisfied.**

BOND INSURANCE

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Notes from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the winning bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its bid form to determine the issue price for the Notes. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Notes, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Notes prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Shad Tenpas, City Administrator/Deputy Clerk/Utility Manager
City of Sheboygan Falls, Wisconsin

BID FORM

June 26, 2024

City of Sheboygan Falls, Wisconsin (the "City")

RE: \$6,635,000* General Obligation Promissory Notes, Series 2024A (the "Notes")
DATED: July 17, 2024

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$6,555,380 nor more than \$7,099,450) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2030	_____ % due	2035
_____ % due	2026	_____ % due	2031	_____ % due	2036
_____ % due	2027	_____ % due	2032	_____ % due	2037
_____ % due	2028	_____ % due	2033	_____ % due	2038
_____ % due	2029	_____ % due	2034	_____ % due	2039

The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, up to a maximum of \$150,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$132,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about July 17, 2024.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ___ NO: ___.

If the competitive sale requirements are not met, we elect to use either the: ___ 10% test, or the ___ hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from July 17, 2024 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted on behalf of the City of Sheboygan Falls, Wisconsin, on June 26, 2024.

By: _____

Title: _____