



COMPREHENSIVE ANNUAL  
**FINANCIAL REPORT**  
INCLUDING AUDITORS' REPORTS

***FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2011***

**CITY OF MANITOWOC, WISCONSIN**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**INCLUDING AUDITORS' REPORTS**

**FOR THE FISCAL YEAR ENDED**

**DECEMBER 31,**

**2011**

**Prepared by Department of Finance**

**Steve Corbelle, Finance Director**

**Anthony Scherer, Assistant Finance Director**

## **INTRODUCTORY SECTION**

**CITY OF MANITOWOC, WISCONSIN**  
December 31, 2011

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July 30, 2012

Honorable Mayor Justin M. Nickels  
Common Council  
City of Manitowoc Citizens  
City of Manitowoc  
Manitowoc, Wisconsin 54220

Mayor Nickels,

Wisconsin Statute Section 86.303(5)(g) requires that all municipalities having a population of 25,000 or more must publish within seven (7) months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, submitted herewith is the comprehensive annual financial report of the City of Manitowoc, Wisconsin for the fiscal year ended December 31, 2011. This report was prepared by the City's Finance Department.

This report consists of management's representations concerning the finances of the City of Manitowoc. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Manitowoc has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Manitowoc's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Manitowoc's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Manitowoc's financial statements have been audited by Schenck Business Solutions, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Manitowoc for the fiscal year ended December 31, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manitowoc's financial statements for the fiscal year ended December 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The independent audit of the



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financial statements of the City of Manitowoc was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

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

### **Profile of the Government**

The City of Manitowoc is the County Seat of Manitowoc County, located in east central Wisconsin. The City is approximately 75 minutes north of Milwaukee, 20 minutes southeast of Green Bay and 150 minutes north of Chicago, Illinois. The City encompasses 18.302 square miles totaling 11,713.28 acres. It is located on Lake Michigan in a natural harbor formed by an outlet of the Manitowoc River. The City was incorporated on March 12, 1870. With an estimated 2011 population of 33,721, the population of Manitowoc has decreased .04% since the 2010 Census report of 33,736 and .97% since the 2000 Census report of 34,053. The population and square mile statistics combine to produce a population density of 1,845 persons per square mile. This indicates ample land for future growth and orderly development. The City of Manitowoc is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Manitowoc operates under the council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of a mayor who is elected at large to a four-year term, and council of 10 members elected to two-year staggered terms on the basis of district representations. The council is elected on a non-partisan basis. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing department head officials, and approval of mayoral member appointments to council committees, various boards and commissions. The mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, economic development, monitoring and lobbying state and federal legislation, and compilation of an executive budget recommendation.

The City provides a full range of municipal services contemplated by statute or character, including public safety, streets, sanitation, parks-recreation-culture, public improvements, planning and zoning, transit, water and electric systems, and general administrative services. Public safety is provided with four fire stations and 57 firefighters, a rescue squad manned by 52 members trained to paramedic skill level



and a police department with 66 sworn officers. The Public Works Department is responsible for the engineering, designing and inspection of City construction projects, and maintenance of public roadways within the City. The City owns the Manitowoc Public Utilities, which is governed by a seven-member commission. The Department of Parks and Recreation maintains the City's parkland and recreational buildings and coordinates a year-round recreation program for Manitowoc residents. Total full time equivalent municipal employment numbers 367 and part time numbers 10. The School District of Manitowoc services the City and provides a comprehensive program for students in kindergarten through the twelfth grade. The district facilities consist of one comprehensive high school, an alternative high school (operating as a charter school), a specialized school for a handful of children in grades 1-8 with significant emotional/behavioral disabilities (operating as a charter school), two junior high schools, six grade 1-6 elementary schools and an early childhood center. Higher education is provided by the University of Wisconsin-Manitowoc, which specializes in freshmen/sophomore curriculum for students to begin their studies before transferring to four-year undergraduate public or private colleges, and Silver Lake College an independent four-year college with career directed programming. Within commuting distance, Lakeshore Technical College in Cleveland, Wisconsin is a public, non-profit college. The college has evolved from mainly offering basic skill courses to the need of technical skills and offering technical courses in computers and other sophisticated equipment.

The annual operating budget serves as the foundation for the City of Manitowoc's financial planning and control. The operating budget includes proposed expenditures and the means of financing them and is legally enacted by council action no later than November 30. The budget as enacted includes total expenditures at the organization level. An organization can be a department, division, fund or other activity. Expenditures cannot legally exceed appropriations at this level. The general fund, special revenue funds, debt service fund and capital projects funds have legally adopted budgets. Budget-to-actual comparisons are provided in this report for each of these funds. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the other supplemental information subsection of this report.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Manitowoc operates.

**Long-Range Financial Plan.** The City of Manitowoc prepares and publishes a Five-Year Capital Improvement Plan (CIP). The plan contains capital and infrastructure costs of \$5,000 or more based on the City's capitalization policy. The CIP details annual funding sources, expenditures, and narrative descriptions for the capital improvements. The CIP is updated on an annual basis and is used as a planning document during the annual budget process.

**Financial Policies.** The City of Manitowoc has adopted a comprehensive set of financial policies as guidelines for the annual budget process. The adopted policies consist of the following: Undesignated General Fund Balance; Debt Management;

Capitalization Threshold; Major Equipment and Vehicle Acquisition; and Disposal of Surplus Equipment.

**Economic Information/Outlook.** The City of Manitowoc is a growing community with an estimated 2011 population of 33,721 and a 2011 equalized valuation of \$1,976,679,300. The equalized valuation has grown by 20.37% since 2002 and 236.36% since 1992. Between 2010 and 2011, the City lost .74% in the full value of its real and personal property, with the largest actual dollar decrease in residential and commercial properties.

The City of Manitowoc has experienced economic stability with our labor force and appears to be poised for growth in 2012. In 2011, the City's top employer is The Manitowoc Company-Crane Division with 1,235 employees. A health care provider, Holy Family Memorial Medical Center, is the City's second largest employer at 920 employees. The Manitowoc Public School District has a staff of 903 and Federal-Mogul Powertrain Systems, a manufacturer of piston rings has a workforce of 865 employees.

The unemployment rate for the City of Manitowoc in December 2011 was 8.4% percent up from 8.0 percent in November, but below the 9.5 percent rate for December 2010. The city's unemployment rate was the 10th highest of 31 cities monitored by the state Department of Workforce Development. The state's December unemployment rate was 7.0 percent, with a U.S. unemployment rate of 8.5 percent.

The Lake Michigan Carferry Service based in Ludington, Michigan, began service to Manitowoc in May of 1992. The City renovated the dock facility to accommodate the Carferry Service, with payments from the Carferry Service repaying the debt borrowed for the renovation. Tourism remained strong in 2011, with the Carferry Service transporting passengers between Ludington, MI and Manitowoc. The local economic impact from this operation is currently estimated at \$15-\$20 million.

The City experienced another sluggish year for new construction. The City issued 3,035 permits with a total estimated construction cost of \$26,220,000.00. The resulting permit fee revenue was in excess of \$269,000.00. A total of 16 new residential projects valued at \$5,743,711.00 began construction including 12 new single family structures, 3 new two family structures and 1 new 16-unit multiple family structure. The estimated total construction cost for housing units in 2011 was \$5,743,711, compared to \$4,418,027 in 2010, and \$5,888,154 in 2009.

On the economic development side, the City implements both housing and economic development loan and tax credit programs oriented toward encouraging investment, and attracting private and public capital into the community.

Planning & Economic Development major actions and activities in 2011 are summarized below:

The City received, reviewed, and approved site plans for 13 projects in 2011, including two (2) developments with construction values estimated in excess of \$500,000. In 2010 there were a total of 19 site plans reviewed. A total of 138 commercial projects with construction costs of \$9,602,603.40 were also issued permits. Some of the major development projects in 2011 are listed below:

